

WESTSPHERE ASSET CORPORATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

with

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

December 31, 2008

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders:  
Westsphere Asset Corporation, Inc.

We have audited the accompanying consolidated balance sheets of Westsphere Asset Corporation, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in shareholders' equity (deficit), and cash flows for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westsphere Asset Corporation, Inc. as of December 31, 2008 and 2007, and the results of their operations and cash flows for the years ended December 31, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has suffered recurring losses, has a working capital deficit at December 31, 2008, and has an accumulated deficit of \$459,859 as of December 31, 2008. These factors and others discussed in Note 13 raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Cordovano and Honeck LLP  
Englewood, Colorado  
May 14, 2009

**WESTSPHERE ASSET CORPORATION, INC.**  
**Consolidated Balance Sheets**  
**December 31, 2008 and 2007**

<b>ASSETS</b>	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 87,880	\$ 211,710
Accounts receivable net of allowance for doubtful accounts of \$157,640 and \$88,258	248,893	483,934
Accounts receivable – related parties	5,416	39,656
Inventory	192,962	264,027
Prepaid expense and deposit	56,407	62,839
Total current assets	<u>591,558</u>	<u>1,062,166</u>
Property and equipment, net of depreciation	223,797	377,986
Note receivable	9,512	11,502
Deferred Costs	146,769	39,228
Deferred tax benefits	—	55,866
Total assets	<u>\$ 971,636</u>	<u>\$ 1,546,748</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 465,784	\$ 504,886
Current portion of loans	85,662	113,034
Accounts payable, related parties	485,768	178,350
Total current liabilities	<u>1,037,214</u>	<u>796,270</u>
Shareholder loans	205,363	264,310
Loans payable, less current portion	188,918	324,633
Total liabilities	<u>1,431,495</u>	<u>1,385,213</u>
Minority interest in subsidiaries	—	—
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock – authorized 75,000,000 shares, no par value, 1,417,118 shares issued and outstanding at December 31, 2008 and 1,416,143 at December 31, 2007	1,400,855	1,400,719
Common stock - authorized 75,000,000 shares, no par value; 591,726 shares issued and outstanding at December 31, 2008 and 592,785 at December 31, 2007	558,824	558,960
Accumulated other comprehensive income	181,131	151,657
Accumulated deficit	(2,600,669)	(1,949,801)
Total stockholders' equity (Deficit)	<u>(459,859)</u>	<u>161,535</u>
Total liabilities and stockholders' equity (Deficit)	<u>\$ 971,636</u>	<u>\$ 1,546,748</u>

The accompanying notes are an integral part of these statements.

**WESTSPHERE ASSET CORPORATION, INC.**  
**Consolidated Statements of Operations**  
**For the Years Ended December 31, 2008 and 2007**

	2008	2007
Revenue -		
Equipment and supplies	\$ 112,973	\$ 289,736
Residual and interchange income	3,664,213	4,060,481
Other	64,255	80,706
Total revenue	3,841,441	4,430,923
Cost of sales -		
Equipment and supplies	131,829	244,961
Residual and interchange costs	2,234,999	2,418,863
Other	164,783	136,428
Total cost of sales	2,531,611	2,800,252
Gross profit	1,309,830	1,630,671
Operating expenses -		
Depreciation and amortization	102,692	113,374
Consulting fees	163,479	177,537
Legal and accounting fees	65,069	181,869
Salaries and benefits	816,614	836,469
Travel, delivery and vehicle expenses	120,386	186,156
Currency exchange	—	(16,490)
Other	550,017	463,908
Total operating expenses	1,818,257	1,943,823
Loss from operations	(508,427)	(313,152)
Other income -		
Interest income	2,531	11,075
Interest expense	(101,273)	(58,303)
Net loss before income taxes	(607,169)	(360,380)
Provision for income taxes	(43,699)	45,953
Net loss	\$ (650,868)	\$ (314,427)
Net loss per common share		
Basic	\$ (1.1)	\$ (.54)
Fully Diluted	\$ (1.1)	\$ Nm
Weighted average number of shares outstanding		
Basic	592,513	584,569
Fully Diluted	592,513	2,000,712
Other comprehensive loss -		
Net loss	\$ (650,868)	\$ (314,427)
Foreign currency translation adjustment	31,415	59,491
Total comprehensive loss	\$ (619,453)	\$ (254,936)

The accompanying notes are an integral part of these statements.

**WESTSPHERE ASSET CORPORATION, INC.**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficit)**

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Foreign Currency Translation Adjustment</u>	<u>Accumulated (Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance, January 1, 2007	1,416,143	\$ 1,400,719	551,702	\$ 509,261	\$ 92,166	\$ (1,635,374)	\$ 366,772
Exercise of options	—	—	10,025	7,017	—	—	7,017
Shares issued for acquisition of subsidiary stock	—	—	31,058	42,682	—	—	42,682
Net loss for the year ended December 31, 2007	—	—	—	—	59,491	(314,427)	(254,936)
Balance, December 31, 2007	1,416,143	\$ 1,400,719	592,785	\$ 558,960	\$ 151,657	\$ (1,949,801)	\$ 161,535
Cancellation of shares	—	—	(84)	—	—	—	—
Exchange of common stock for preferred	975	136	(975)	(136)	—	—	—
Net loss for the year ended December 31, 2008	—	—	—	—	31,415	(290,236)	(258,821)
Balance, December 31, 2008	1,417,118	\$ 1,400,855	591,726	\$ 558,824	\$ 181,131	\$ (2,600,669)	\$ (459,859)

The accompanying notes are an integral part of these statements.

**WESTSPHERE ASSET CORPORATION, INC.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2008 and 2007**

	2008	2007
Cash flows from operating activities:		
Net (loss) income from operations	\$ (650,868)	\$ (314,427)
Reconciling adjustments -		
Depreciation and amortization	43,335	113,374
Other non-cash transactions	89,285	51,303
Changes in operating assets and liabilities		
Accounts receivable	239,353	(159,998)
Inventory	71,065	(4,584)
Prepaid expenses and other	(93,764)	(88,545)
Accounts payable and accrued liabilities	(66,474)	(57,817)
Net cash (used for) operations	(122,721)	(460,694)
Cash flows from investing activities:		
Purchase of equipment	(143,042)	(282,867)
Disposal of equipment	32,662	71,907
Collections of loans receivable	1,990	72,915
Net cash (used for) investing activities	(108,390)	(138,045)
Cash flows from financing activities:		
Exercise of options	—	7,017
Proceeds from loans	307,418	347,340
Repayments of loans	(194,662)	(16,804)
Net cash provided by financing activities	112,756	337,553
Foreign currency translation adjustment	(5,475)	59,498
Net change in cash and cash equivalents	(123,830)	(201,688)
Cash at beginning of year	211,710	413,398
Cash at end of year	\$ 87,880	\$ 211,710
<b>Supplemental schedules:</b>		
Cash paid for interest	\$ 69,830	\$ 15,394
Cash paid for income taxes	\$ —	\$ 9,359

The accompanying notes are an integral part of these statements.

**WESTSPHERE ASSET CORPORATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**Note 1 – Organization and Principles of Consolidation**

WestspHERE Asset Corporation, Inc. (Company) was incorporated in Colorado on July 21, 1998 as Newlink Networks TDS, Inc. and changed its name to WestspHERE Asset Corporation Inc. on April 29, 1999.

The Company's primary business is the sale and operation of cash vending (ATM) and point of sale (POS) machines in Canada.

On December 12, 1998, the Company acquired 41% of Vencash Capital Corporation (Vencash), a Canadian Corporation, and then on December 17, 1999 acquired the remaining 59% of the outstanding stock of Vencash. The Vencash stock was acquired by exchanging the Company's common stock with shareholders of Vencash. Vencash is in the business of selling and installing cash vending machines (ATM machines) throughout Canada. Because certain shareholders were shareholders of both corporations, the Company accounted for its acquisition of Vencash as a reverse acquisition, which are a capital transaction and not a business combination.

On September 23, 1998, Vencash Capital Corporation incorporated Vencash Financial Corporation (Financial) in Alberta. Vencash Financial has had no business activity.

During the period from June 1999 through October 2001 the Company acquired 99% of Kan-Can Resorts Ltd. (Kan-Can), an Alberta company, by exchanging stock.

On May 16, 2000, Vencash ATM/POS Services Inc. (formerly VC/POS/ATM Services Inc.) and WestspHERE Systems Inc. (formerly 880487 Alberta Ltd.) were incorporated as wholly owned Alberta subsidiaries of the Company.

During 2000 and 2001, the Company acquired a 90% interest in E-Debit International Inc. (E-Debit), a company engaged in the development of online payment systems, and which has no other operations. On June 1, 2004, the Company acquired the remaining 10% interest in E-Debit International Inc., which increased the ownership to 100%.

During the period from May 2000 to July 2004, the Company acquired a 56% interest in Trac Pos Processing Inc. (Trac); Trac is a distributor and financial processor of point-of-sale (POS) terminals. On January 26, 2007, the Company acquired an additional 26% interest in Trac Pos Processing Inc., which increased the ownership to 82%.

On January 4, 2005, the Company incorporated a wholly owned Alberta subsidiary, WestspHERE Capital Group Ltd. to supply operational, financial, and administrative support to the WestspHERE Group of companies.

During 2005, the Company formed a wholly owned Alberta subsidiary, Cash Direct Financial Services Ltd (Cash Direct), as a holding company for a 51% interest in 1105725

**WESTSPHERE ASSET CORPORATION, INC.**  
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Alberta Ltd DBA Personal Financial Solutions, an Alberta Corporation, to pursue opportunities in check cashing, payday loans, and similar businesses.

**Note 2 – Summary of Significant Accounting Policies**

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are stated in United States dollars.

Use of Estimates in the Preparation of Financial Statements

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and to report amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Estimated Fair Value of Financial Instruments

The carrying value of accounts receivable, accounts payable and accrued expenses, and loans payable to related parties reflected in the financial statement approximate fair value due to the short-term maturity of the instruments.

Accounts Receivable

Accounts receivable consist of amounts due from customers. The Company considers accounts more than 180 days old to be past due. The Company uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance.

Inventory

Inventory consists primarily of cash vending and POS machines, which are valued at the lesser of cost (on a first-in, first-out method) or net realizable value.

Property, Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using a declining balance method over the estimated useful lives of the property and equipment.

**WESTSPHERE ASSET CORPORATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2008 and 2007**

Earnings (Loss) per Share

Basic earnings (loss) per share are computed by dividing the net (loss) by the weighted average number of shares outstanding during the years ended December 31, 2008 and 2007. Diluted earnings (loss) per common share is calculated by dividing the applicable net earnings (loss) by the sum of the weighted-average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive Westphere Asset Corporation, Inc. common shares had been issued during the years ended December 31, 2008 and 2007.

The weighted-average number of shares computation for diluted earnings (loss) per common share does not include the 214,583 options to purchase common shares because the potential common shares are anti-dilutive. The options' exercise price was greater than the average market price of the common shares at the end of year 2008.

Valuation of Long-Lived Assets

The Company periodically analyzes its long-lived assets for potential impairment, assessing the appropriateness of lives and recoverability of unamortized balances through measurement of undiscounted operation cash flows on a basis consistent with accounting principles generally accepted in the United States of America.

Revenue Recognition

Revenues are recognized in accordance with SEC Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." Under SAB 101, product revenues (or service revenues) are recognized when persuasive evidence of an arrangement exists, delivery has occurred (or service has been performed), the sales price is fixed and determinable and collection is reasonably assured.

Revenues from sales, leasing and servicing of individual cash vending machines are recognized when substantially all significant events to be provided by the Company have been performed. Interchange and residual revenues from the operation of vending and point-of-sale machines are recognized when the transaction is processed and due to the company.

The Company rents ATM machines to customers on a month-to-month basis. The carrying value of property rented to customers as of December 31, 2008 is \$28,621. Because all rental agreements are on a month-to-month basis, there are no minimum future rentals.

The Company offers no warranties or right of return beyond manufacturers' warranties.

Foreign Currency

**WESTSPHERE ASSET CORPORATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2008 and 2007**

The functional currency of the Company and its subsidiaries is the Canadian dollar. The Company translates amounts into United States dollars using the current rate method. Under this method, assets and liabilities are translated to United States dollars at current exchange rates; revenues and expenses are translated at the average exchange rate during the period, and equity account are translated at the historical rate. Related translation adjustments are reported as other comprehensive income, a component of stockholders' equity.

Income Taxes

The Company records deferred taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." The statement requires recognition of deferred tax assets and liabilities for temporary differences between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries. All inter-company accounts have been eliminated in the consolidation.

Minority interests in the income and equity of consolidated subsidiaries that are less than wholly-owned are recorded except when the subsidiary has a deficit and there are no agreements for the minority shareholders to contribute additional capital. As of December 31, 2007 all minority-owned subsidiaries had deficits and therefore no minority interest is recorded.

Advertising expenses

The Company expenses advertising costs as incurred and the total amounts for 2008 and 2007 were nominal.

Reclassifications

Certain comparative figures for the prior period have been reclassified to conform to the current year presentation.

Dividends

The Company paid no dividends during the years presented.

Recent Accounting Pronouncements

EITF No. 03-6-1 – In June 2008, the FASB issued Staff Position No. EITF 03-6-1 ("EITF No. 03-6-1"), *Determining Whether Instruments Granted in Share-Based Payment*

**WESTSPHERE ASSET CORPORATION, INC.**  
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**For the years ended December 31, 2008 and 2007**

*Transactions Are Participating Securities.* EITF No. 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore, need to be included in the earnings allocation in calculating earnings per share under the two-class method described in Statement of Financial Accounting Standards No. 128, *Earnings per Share*. EITF No. 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. EITF No. 03-6-1 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the potential effect of EITF No. 03-6-1 on its financial statements.

SFAS No. 162 – In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162 (“SFAS No. 162”), *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 will become effective 60 days following Securities and Exchange Commission (“SEC”) approval of the Public Company Accounting Oversight Board (“PCAOB”) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The Company does not anticipate the adoption of SFAS No. 162 to have a material impact on its financial statements.

FSP No. 142-3 – In April 2008, the FASB issued Staff Position No. 142-3 (“FSP No. 142-3”), *Determination of the Useful Life of Intangible Assets*. FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company is currently assessing the potential effect of FSP No. 142-3 on its financial statements.

SFAS No. 161 – In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 (“SFAS No. 161”), *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging*. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company believes that the adoption of this standard will not have a material impact on its financial statements.

The above pronouncements are not currently expected to have a material effect on the Company’s financial statements.

***Note 3 – Property and Equipment***

Property and equipment consists of the following elements:

**WESTSPHERE ASSET CORPORATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2008 and 2007**

	<u>Cost</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net Book Value</u>	<u>Depreciation Rate and Method</u>
December 31, 2007 -				
Office furniture and equipment	\$ 123,404	69,389	54,015	20% DB
Computer hardware and software	255,899	205,709	50,190	30% DB
ATM machines	488,849	236,469	252,380	30% DB
Other	86,281	64,880	21,401	Var
	<u>\$ 954,433</u>	<u>576,447</u>	<u>377,986</u>	
December 31, 2008 -				
Office furniture and equipment	\$ 105,446	68,786	36,660	20% DB
Computer hardware and software	211,069	183,100	27,969	30% DB
ATM machines	376,579	224,903	151,676	30% DB
Other	58,758	51,266	7,492	Var
	<u>\$ 751,852</u>	<u>528,055</u>	<u>223,797</u>	

Depreciation and amortization have been provided in amounts sufficient to recover asset costs over their estimated useful lives. All components of property and equipment are being depreciated or amortized. Depreciation and amortization expense for the years ended December 31, 2008 and 2007 totaled \$102,692 and \$113,374, respectively.

**Note 4 – Deferred Costs**

In order for Westsphere's subsidiaries to remain competitive in the marketplace, Westsphere, through its subsidiary Westsphere Systems Inc. has successfully gained membership into the Canadian Interac Association as an Acquirer. This will enable the direct processing of ATM, POS and other transactions for its other subsidiaries, Vencash and Trac POS. Westsphere has sourced out an industry leader, ACI Worldwide, and invested in the development and ongoing support required to facilitate the processing of transactions. Westsphere Systems Inc. will process all transactions through its association with ACI thereby eliminating the costs, restrictions, and potential risks of relying on third party processors. Most importantly, the investment in the processor, or switch, will also enable Westsphere's direct entry into new and emerging markets such as card management and processing.

**Note 5 – Notes Receivable**

There are four notes receivable which are demand loan agreements. The first note receivable of \$26,916 (\$31,112 CDN) has a three year term, bears interest at 12% per annum, and requires monthly payments of principal and interest of \$894 (\$1,033 CDN) to December 1, 2009. The current balance is \$9,512 (\$11,631 CDN). This note receivable is reflected in the accompanying consolidated balance sheet as note receivable.

**WESTSPHERE ASSET CORPORATION, INC.**  
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The remaining three notes receivable total \$192,190 (\$235,000 CDN), carry no interest rate, and require no monthly payments. The Company can demand funds be returned at anytime. The purpose of these notes receivable are to supply vault cash to Westsphere's wholly owned subsidiary Vencash's customers ATM equipments and site locations. Revenue from these notes is generated from surcharge transactions. These notes receivable are reflected in the accompanying consolidated balance sheet as accounts receivable net of allowance for doubtful accounts.

**Note 6 – Loans Payable**

At December 31, 2008, the Company has loans payable of \$205,363 (\$259,553 CDN) due to shareholders of the Company. Westsphere's shareholder loan related to TRAC of \$164,471 (\$201,107 CDN) has an interest rate of 18% per annum and is due on demand. The remaining balance of shareholder loans total \$40,892 (\$50,000 CDN) with no specific terms of repayment. These shareholder loans are reflected in the accompanying consolidated balance sheet as shareholder loans.

Westsphere's subsidiary Vencash entered into two loan agreements with its major ATM supplier in July of 2006. The first loan agreement, bearing interest at 6% per annum, requires blended monthly payments of principal and interest of \$4,452 to March 2009. As of December 31, 2008, the balance is \$19,113 (\$23,371 CDN). The second loan agreement, bearing interest at 18% per annum, requires blended monthly payments of principal and interest of \$985 (\$1,204 CDN) to July 2011; with a final payment of \$90 in August 2011. As of December 31, 2008, the balance is \$23,643 (\$28,910 CDN). These loans are reflected in the accompanying consolidated balance sheet as loans payable, less current portion.

In May 2007, Westsphere's subsidiary Vencash entered into a loan agreement with its major ATM supplier, bearing interest at 18% per annum, requiring blended monthly payments of principal and interest of \$711 (\$869 CDN) to May 2012; with a final payment of \$90 in May 2012. As of December 31, 2008, the balance is \$21,260 (\$25,995 CDN). This loan is reflected in the accompanying consolidated balance sheet as loans payable, less current portion.

In June 2007, Westsphere's subsidiary Vencash entered into a loan agreement with its major ATM supplier, bearing interest at 18% per annum, requiring blended monthly payments of principal and interest of \$711 (\$869 CDN) to June 2012; with a final payment of \$90 in June 2012. As of December 31, 2008, the balance is \$21,646 (\$26,468 CDN). This loan is reflected in the accompanying consolidated balance sheet as loans payable, less current portion.

In September 2007, Westsphere's subsidiary Vencash entered into a loan agreement totaling \$81,783 (\$100,000 CDN) with an external arms-length investor, bearing interest at 12% per annum, blended monthly payments of interest only of \$818 (\$1,000 CDN) to September 2008, with an automatic extension for a further 6 month term. The principle is to be repaid in a maximum of 18 months. The purpose of the loan is to supply vault cash to Westsphere's wholly owned subsidiary Vencash's customers ATM equipment and site locations. As of December 31, 2008, the balance is \$81,783 (\$100,000 CDN). This loan is reflected in the accompanying consolidated balance sheet as loans payable, less current portion.

On November 5, 2007, Westsphere's subsidiary Westsphere Systems Inc. raised \$107,135 (\$131,000 CDN) through a loan agreement with an external arms-length investor, bearing

**WESTSPHERE ASSET CORPORATION, INC.**  
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interest at 12% per annum, blended monthly payments of interest only of \$1,071 (\$1,310 CDN) to October 2009, with an automatic extension for a further 12 month term. The purpose of the loan is to fund the switch development project. As of December 31, 2008, the balance is \$107,135 (\$131,000 CDN). This loan is reflected in the accompanying consolidated balance sheet as loans payable, less current portion.

Minimum future loan payments having remaining terms in excess of one year are as follows:

<u>Year</u>		<u>Amount</u>
2009	\$	85,662
2010	\$	47,229
2011	\$	47,229
2012	\$	47,230
2013	\$	47,230

***Note 7 – Common and Preferred Stock***

The conversion from common to preferred shares was a result of the shareholders' resolution, approved at the Annual Meeting of Shareholders held on December 7, 2002.

Upon conversion of a common share to a preferred share, voting of such preferred shares vest with the Board of Directors as set out in the shareholder's resolution approved at the Annual Meeting of Shareholders held on December 7, 2002.

Upon conversion of a common share to a preferred share, the preferred shareholders will have the right to convert such preferred share to a share of common stock (1:1) upon delivery of 21 days written notice to the Company, at a price of \$0.05 per share payable to the Company. However, share certificates will be issued with the following share trading restrictions: 1/3 of the total shares to be converted will be restricted from trading for a period of six (6) months from the date of conversion; 1/3 of the total shares to be converted will be restricted from trading for a period of one (1) year from the date of conversion; 1/3 of the total shares to be converted will be restricted from trading for a period of eighteen (18) months from the date of conversion.

In January 2007, Westsphere executed a share exchange agreement with unaffiliated TRAC shareholders to exchange a total of 24,142 shares of its common stock at \$1.38 (\$1.62 CDN) per share for a nineteen percent (19%) interest plus \$19,092 (\$22,500 CDN) shareholders loan in TRAC. Concurrently, Westsphere entered into share exchange agreements with affiliated TRAC shareholders, Jack Thomson and Brett Border, to exchange a total of 6,916 shares of its common stock at \$1.38 (\$1.62 CDN) per share for a twelve percent (7%) interest in TRAC. Mr. Thomson is a member of our Board of Directors and Mr. Border is the President of Vencash Capital and TRAC. This share exchange resulted in increasing our holdings in TRAC to eighty-two percent (82%). Westsphere issued totaled 31,058 (24,142 + 6,916) common shares for 26% (19% + 7%) interest in TRAC.

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In March 2007, Westsphere issued 10,025 common shares to one of the Executive Officers who exercised a portion of his 2002 options to purchase shares of our common stock at \$0.70 per share.

In September 2008, Westsphere repurchased and cancelled 84 common shares.

In October 2008, Westsphere's President exercised his option to convert 975 common shares to preferred shares.

**Note 8 – Income Taxes**

The Company files United States income tax returns, and the Company's operating subsidiaries file Canadian income tax returns.

The Company has estimated net operating loss carry forwards of \$2,084,477, which expire as follows:

2021	\$	100,146
2022	\$	237,425
2023	\$	240,207
2025	\$	540,831
2026	\$	315,000
2027	\$	650,868

Estimated tax benefits resulting from U.S. net operating loss carry forwards of \$487,426 are offset by a reserve of the same amount because it is uncertain that the Company will be able to utilize the carry forwards before they expire.

The Company has no U.S. income other than from its Canadian subsidiaries. The Company anticipates that foreign tax credits allowed for payment of Canadian taxes will be sufficient so that there will be no U.S. income tax liability for the parent company.

Income taxes at the statutory rate are reconciled to Company's actual income taxes as follows:

	2008	2007
Tax (benefit) at statutory rate (34%)	\$ —	\$ —
Canadian tax benefits	(43,699)	45,953
Income taxes paid and accrued	—	—
Change in reserve for net operating loss carry forwards	—	—
Income tax expense (benefit)	\$ <u>(43,699)</u>	\$ <u>45,953</u>

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Canadian tax benefits resulting from non-capital loss carry forwards and excess of undepreciated costs of property and equipment arising from differences between the Company's depreciation rates and those prescribed for income tax purposes and using projected Canadian tax rates are as follows:

	2008	2007
Non-capital loss carry forwards:	\$ 698,672	\$ 529,754
Temporary differences due to depreciation methods	(542,610)	(473,888)
Income tax benefit	156,062	55,866
Valuation allowance	(156,062)	—
Income tax benefit	\$ —	\$ 55,866

**Note 9 - Stock Based Compensation**

During 2002, the Company adopted the 2002 Employees Stock Option and Stock Award Plan for directors, employees and consultants. The maximum number of shares that may be optioned or awarded under the plan is 4,000,000. Additional provisions of the plan call for awards, exercise prices and vesting to be determined by the board of directors or its designated administrator.

Following is a table of outstanding options and changes during 2008 and 2007:

	Employee Options	Non- Employee Options	Weighted Average Exercise Price
Options Outstanding, December 31, 2006	224,608	21,250	1.78
Options granted in 2007	—	—	—
Options exercised in 2007	(10,025)	—	.70
Options expired in 2007	—	(21,250)	.94
Options Outstanding, December 31, 2007	214,583	—	1.78
Options granted in 2008	—	—	—
Options exercised in 2008	—	—	—
Options expired in 2008	—	—	—
Options Outstanding, December 31, 2008	214,583	—	1.78

All outstanding options vest immediately.

If not previously exercised or canceled, options outstanding at December 31, 2008 will expire as follows:

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Year Ending December 31,	Range of Exercise Prices		Number of Shares	Weighted Average Exercise Price
	High	Low		
2010	.94	.94	180,058	.94
Open ended	.70	.70	34,525	.70

**Note 10 – Commitments and Contingencies**

The Company leases real estate (office and warehouse space) under non-cancelable operating leases that expire on varying dates through 2011. The Company also has various obligations for auto and equipment leases through 2009.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year are as follows:

	Real Estate	Other
2009	\$ 154,750	\$ 3,412
2010	\$ 137,447	\$ —
2011	\$ 137,447	\$ —
	2008	2007
Rental expense	\$ 197,083	\$ 185,030

On April 7, 2004, the Company sued Fred and Linda Sebastian to recover an outstanding loan of \$80,000 (CDN) plus interest and court costs. The Company has reserved this amount due to the uncertainty of recovery. The defendant has withdrawn the counterclaim. As of March 2008, no further actions were filed by either party.

On May 28, 2004 Peter Gregory filed an action in the Ontario Superior Court of Justice against Vencash Capital Corporation. Peter Gregory was a Vencash distributor and agent who filed the action related to a claim of wrongful dismissal from Vencash of \$260,000 (CDN). On July 30, 2004 Vencash filed a Statement of Defense and Counterclaim in the amount of \$1,600,000 for breach of contract, breach of confidence, breach of fiduciary duties, interference with economic relations, damages for inducing breach of contract, and punitive damages. The Company believes the claim by Gregory to be without merit and has not accrued a liability for the claim. As of April 2009, the court actions and negotiation with Peter Gregory have been terminated with the withdrawal of the company lawyer. No further actions were filed by either party.

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**Note 11 – Related party transactions**

**Year 2007**

The Company expensed \$85,540 (\$84,000 CDN) during 2007 for consulting and management services to an affiliated company that is controlled by the Company's president.

The Company is obligated to its president pursuant to a loan payable totaling \$46,317 (\$45,483 CDN) as of December 31, 2007.

The Company's subsidiary Vencash is indebted to Vencash's President for a loan payable totaling \$12,769 (\$12,539 CDN) as of December 31, 2007.

The Company's subsidiary Cash Direct Financial Services Ltd. owed Westsphere's Vice President for a loan payable totaling \$50,916 (\$50,000 CDN) as of December 31, 2007.

Accounts payable – related parties includes \$68,348 (\$67,118 CDN) accrued for officer and employee bonuses.

The following table summarizes the Company's accounts receivable - related party transactions:

Revenue

Sales of ATM to:

Directors' 100% owned company	<u>\$36,826</u>
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Shareholder loan from:

49% shareholder's of Personal Financial Solution	<u>\$2,830</u>
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The shareholder loan is payable on demand.

**Year 2008**

The Company expensed \$85,540 (\$84,000 CDN) during 2008 for consulting and management services to an affiliated company that is controlled by the Company's president.

**Accounts receivable - related party:**

Revenue

Sales of ATM accessories to:

Directors' 100% owned company	<u>\$3,143</u>
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Shareholder loan from:

49% shareholder's of Personal Financial Solution	<u>\$2,273</u>
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The shareholder loan is payable on demand.

**Accounts payable, related parties:**

The Company is obligated to its president pursuant to a loan payable totaling \$61,748 (\$75,502 CDN) as of December 31, 2008.

The Company is obligated to an affiliated company that is controlled by the Company's president pursuant to a loan payable totaling \$208,348 (\$254,757 CDN) as of December 31, 2008.

The Company's subsidiary Vencash is indebted to Westsphere Vice President for a loan payable totaling \$81,300 (\$99,410 CDN) as of December 31, 2008.

The Company's subsidiary Westsphere Systems Inc. owed Westsphere's arms-length directors for loans advance totaling \$79,481 (\$97,186 CDN) as of December 31, 2008.

The Company's subsidiary Vencash Capital Corporation accrued for officer and employee bonuses totaling \$54,891 (\$67,118 CDN) as of December 31, 2008.

**Note 12 – Subsequent Events**

On January 7, 2009, the board after reviewing the business operations of its wholly owned subsidiary E-Debit International Inc. have determined that it is in the best financial interests of the Corporation to sell all of the issued and outstanding shares of E-Debit International Inc. to the Corporation's wholly owned subsidiary Westsphere Systems Inc. for the total cash purchase price of one hundred (\$100) dollars in Canadian funds. The completion of the transaction is expected to be completed by the second quarter of year 2009.

On January 7, 2009, the board after reviewing the business operations of its wholly owned subsidiary Vencash Capital Corporation and Westsphere Systems Inc. have determined that it is in the best financial interests of the Corporation to consolidate the ATM processing and business operations with the assignment of ATM related processing agreements from Vencash Capital Corporation to Westsphere Systems Inc. and a net book value consolidation and transfer of the ATM related capital assets of Vencash Capital Corporation to Westsphere Systems Inc. under a purchase and sale agreement to be offset against receivable and payables due to Westsphere Systems Inc. The completion of the transition is expected to be completed by the second quarter of the year 2009.

On January 8, 2009, the boards have resolved to dissolve its wholly owned subsidiary Kan-Can Resorts Ltd. as there is no a further business operation or remaining value. The purpose of the dissolution is to reduce the audit and legal costs.

**Note 13 – Going Concern**

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The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred net losses for the years ended December 31, 2008 and 2007, and as of December 31, 2008, had a working capital deficit of \$445,656 and an accumulated deficit of \$459,859. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management recognizes that the Company must generate additional resources to enable it to continue operations. Management intends to raise additional funds through debt financing and equity financing or through other means that it deems necessary, with a view to moving forward and sustaining a prolonged growth in its strategy phases. However, no assurance can be given that the Company will be successful in raising additional capital. Furthermore, the management is in the process of restructuring, reorganization and consolidation of all its operations as a whole in order to save costs. In addition, there is no demand for payment on the accounts payable to related parties of \$485,768 as this liability is owed to internal officers and directors. Further, even if the Company raises additional capital, there can be no assurance that the Company will achieve profitability or positive cash flow. If management is unable to raise additional capital and expected significant revenues do not result in positive cash flow, the Company will not be able to meet its obligations and may have to cease operations.