

MKS Inc.
Consolidated Balance Sheets
(US dollars, thousands, unaudited)

	July 31 2009	April 30 2009
Assets:		
Current assets:		
Cash and cash equivalents (note 2)	\$ 19,729	\$ 17,098
Accounts receivable, net of allowances for doubtful accounts of \$82 (April 30, 2009 – \$89)	6,381	7,404
Deferred income taxes	1,378	1,378
Deferred gain on forward contracts	1,905	83
Prepaid expenses and other assets	1,740	1,152
Total current assets	31,133	27,115
Fixed assets (note 3)	4,163	4,252
Intangible assets (note 3)	47	69
Goodwill (note 3)	2,424	2,424
Deferred income taxes	2,392	3,243
Total assets	\$ 40,159	\$ 37,103
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable	\$ 765	\$ 1,083
Accrued liabilities	2,912	2,566
Income taxes payable	728	657
Deferred revenue	16,336	16,170
Total current liabilities	20,741	20,476
Shareholders' equity:		
Share capital (note 6)	56,308	55,627
Accumulated other comprehensive loss	(114)	(2,076)
Accumulated deficit	(36,776)	(36,924)
Total shareholders' equity	19,418	16,627
Total liabilities and shareholders' equity	\$ 40,159	\$ 37,103

See accompanying Notes to Consolidated Financial Statements

MKS Inc.
Consolidated Statements of Operations
(US dollars, thousands, except per share data, unaudited)

<i>Three months ended</i>	July 31 2009	July 31 2008
Revenue:		
License	\$ 5,624	\$ 6,156
Maintenance	7,415	7,035
Service	2,701	2,174
	15,740	15,365
Operating expenses:		
Cost of product and support	1,229	1,240
Cost of service	1,731	1,788
Sales and marketing	5,217	5,862
Research and development	3,185	3,158
General and administrative	1,924	1,963
Foreign exchange (gain) loss	(41)	34
Stock-based compensation (note 6)	176	171
	13,421	14,216
Operating income	2,319	1,149
Interest income, net	4	32
Income before income taxes	2,323	1,181
Income tax provision (note 4):		
Current	35	237
Deferred	881	325
Income tax provision	916	562
Net income	\$ 1,407	\$ 619
Earnings per share (note 7):		
Basic	\$ 0.14	\$ 0.06
Diluted	\$ 0.14	\$ 0.06
Weighted average number of shares outstanding	10,036	10,285
Diluted weighted average number of shares outstanding	10,118	10,402

See accompanying Notes to Consolidated Financial Statements

MKS Inc.
Consolidated Statements of Cash Flows
(US dollars, thousands, unaudited)

<i>Three months ended</i>	July 31 2009	July 31 2008
Cash flows provided by operating activities:		
Net income	\$ 1,407	\$ 619
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of fixed assets	337	316
Amortization of intangible assets	22	22
Stock-based compensation	176	171
Deferred income taxes	881	325
Loss on disposal of fixed assets	65	25
Change in operating assets and liabilities:		
Accounts receivable	1,023	3,830
Prepaid expenses and other assets	(588)	(314)
Accounts payable, net of deferred compensation	(318)	(831)
Accrued liabilities	346	(1,592)
Income taxes payable	71	248
Deferred revenue	166	(2,117)
Net cash provided by operating activities	3,588	702
Cash flows used for investing activities:		
Purchase of fixed assets	(279)	(203)
Net cash used for investing activities	(279)	(203)
Cash flows provided by (used for) financing activities:		
Proceeds on issuance of common shares	505	283
Cash paid for shares repurchased for cancellation	-	(1,056)
Payment of dividends	(1,259)	(1,033)
Net cash (used for) financing activities	(754)	(1,806)
Effect of exchange rate changes on cash and cash equivalents	76	(117)
Change in cash and cash equivalents balances	2,631	(1,424)
Cash and cash equivalents, beginning of period	17,098	12,933
Cash and cash equivalents, end of period	\$ 19,729	\$ 11,509
Supplemental cash flow information:		
Interest received	\$ 4	\$ 32
Interest paid	-	-
Income taxes paid	-	30

See accompanying Notes to Consolidated Financial Statements

MKS Inc.
Notes to Consolidated Financial Statements

(US dollars, thousands, except per share data, unaudited)

MKS Inc. ("MKS" or the "Company") is a provider of software products and services in the application development and deployment (software "Application Lifecycle Management" or "ALM") and cross-platform development and systems administration ("Interoperability" or "IO") markets. The Company's products are designed to increase development team productivity while improving the quality, reliability and availability of business critical software as it is developed and maintained, and to reduce development costs and time to market while enabling enhanced performance.

1. Significant accounting policies:

a) Basis of presentation:

The accompanying consolidated financial statements of MKS Inc. ("MKS" or the "Company") as at July 31, 2009 and for the three month periods ended July 31, 2009 and 2008 are unaudited and have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information. The same accounting policies and methods of application as used in the April 30, 2009 annual financial statements have been applied consistently with these interim statements.

Accordingly, these consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation, have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. The following information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended April 30, 2009.

b) Financial instruments:

The Company determines the fair value of its financial instruments based on quoted market values or discounted cash flow analyses. The recorded amounts of financial instruments in these consolidated financial statements approximate their fair values.

The Company has entered into cash flow hedges to purchase Canadian Dollars at times in the future to help mitigate foreign exchange fluctuations between the Canadian and United States dollars through April 2011. These hedges are accounted for as designated cash flow hedges. At July 31, 2009, these hedges were assessed as fully effective and the unrealized gain or loss on those hedges was reflected in the Company's Other Comprehensive Income (Loss). As at July 31, 2009, the Company has recorded an unrealized gain in Other Comprehensive Income (Loss) of \$1,905. Any ineffective portion of the hedges would be reflected in net income for the applicable period.

c) Reclassifications:

Certain prior year amounts have been reclassified to conform to current year financial statement presentation.

2. Cash and cash equivalents:

Included in the balance of cash and cash equivalents at July 31, 2009 is \$1,217 (April 30, 2009 - \$1,399) of cash and cash equivalents held as a security deposit by the counterparty to forward foreign exchange contracts entered into by the Company.

3. Fixed assets, intangible assets and goodwill:

a) Fixed assets:

	July 31 2009	April 30 2009
Computer equipment	\$ 9,820	\$ 9,978
Applications software	3,181	3,192
Office furniture and equipment	1,892	1,965
Leasehold improvements	1,998	1,972
	16,891	17,107
Accumulated depreciation	(12,728)	(12,855)
	\$ 4,163	\$ 4,252

b) Intangible assets:

	July 31 2009	April 30 2009
Purchased software and technology, gross	\$ 681	\$ 681
Other intangible assets, gross	297	297
Accumulated amortization	(931)	(909)
Intangible assets, net	\$ 47	\$ 69

Intangible assets are amortized on a straight-line basis over their expected lives, periods ranging from three to five years.

c) Goodwill:

The Company's goodwill balances are assigned to reporting units that coincide with the Company's reportable operating segments as follows:

Application Lifecycle Management	\$ 2,424
Interoperability	-
Goodwill	\$ 2,424

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4. Income taxes

a) Current income tax provision (recovery):

<i>Three months ended</i>	July 31 2009	July 31 2008
Gross current income tax provision	\$ 91	\$ 286
Less: Investment tax credits realized	(56)	(49)
Current income tax provision	\$ 35	\$ 237

The Company qualifies for certain refundable investment tax credits related to its research and development activities. As required under US GAAP, these investment tax credits have been accounted for as a reduction of the Company's current income tax provision or recovery.

b) Uncertain tax positions:

The Company's policy is to include interest and penalties related to gross unrecognized tax benefits within our income tax provision. Previously, interest paid related to income taxes was classified in the company's financial statements as interest expense. As of July 31, 2009, the Company had accrued \$nil related to the payment of such interest and penalties.

The Company is subject to income taxes in a number of jurisdictions due to its international operations. The Company is not currently under examinations by any tax authorities related to its income taxes. The major tax jurisdictions the Company operates within and open tax years in each of those jurisdictions is indicated in the following table:

Major Tax Jurisdiction	Open Tax Years
Canada	2003 to 2009
United States	2004 to 2009
United Kingdom	2005 to 2009
Germany	2004 to 2009

5. Comprehensive loss:

<i>For the three months ended</i>	July 31 2009	July 31 2008
Net income	\$ 1,407	\$ 619
Other comprehensive income (loss):		
Foreign currency gain (loss) on hedged derivative contracts	\$ 1,822	\$ (22)
Foreign currency translation, net of taxes of nil	140	(46)
Comprehensive income (loss)	\$ 3,369	\$ 551

6. Shareholders' equity:

a) Share capital:

The Company declared a 5-for-1 share consolidation of the Company's outstanding common shares on July 27, 2009. Shareholders received one common share of the Company for each five common shares previously held. Any partial shares resulting from the share consolidation were cancelled. The share consolidation was effective at the opening of trading on July 27, 2009. All share, earnings per share and stock option data for the current and prior comparative periods have been adjusted to reflect this share consolidation.

	July 31 2009	April 30 2009
Common shares:		
Authorized – unlimited		
Issued and outstanding – 10,073 (April 30, 2009 – 9,978), no par value	\$ 53,330	\$ 52,825
Additional paid in capital	2,978	2,802
Preferred shares:		
Authorized – unlimited, issuable in series		
Issued and outstanding – nil	–	–
Total share capital	\$ 56,308	\$ 55,627

The Preferred Shares are non-voting, unless dividends are in arrears, and rank in priority to the Common Shares in respect of the payment of dividends and as to the distribution of assets in the event of liquidation, dissolution or wind-up of the Company.

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b) Continuity of options issued under the plans:

A summary of the status of the plans for the three months ended July 31, 2009 and the year ended April 30, 2009 is presented below:

	Three Months Ended July 31, 2009		Year Ended April 30, 2009	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,289	Cdn\$8.33	1,236	Cdn\$8.30
Granted	180	7.96	205	8.00
Exercised	(88)	6.14	(96)	6.50
Forfeited	(11)	6.93	(56)	9.75
Outstanding, end of period	1,370	Cdn\$8.43	1,289	Cdn\$8.33
Options exercisable, end of period	930	Cdn\$8.48	957	Cdn\$8.25

c) Summary of the balances of options issued under the plans at July 31, 2009:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Cdn\$ 3.00 – 4.80	32	2.1 years	Cdn\$4.74	32	Cdn\$4.74
5.00 – 6.85	395	2.4	6.57	390	6.58
7.05 – 9.90	738	4.8	8.36	335	8.86
9.95 – 13.75	205	3.4	12.85	173	12.72
	1,370	3.9 years	Cdn\$8.43	930	Cdn\$8.48

d) Impact of stock compensation:

The impact of the stock compensation charge by financial statement caption would be as follows:

<i>For the three months ended</i>	July 31 2009	July 31 2008
Cost of product and support	\$ 2	\$ 3
Cost of service	6	6
Sales and marketing	50	58
Research and development	37	38
General and administrative	81	66
	\$ 176	\$ 171

e) Employee Share Purchase Plan:

During the three months ended July 31, 2009, 7 shares (2008 – 3) were issued under the Employee Share Purchase Plan (ESPP) for aggregate proceeds of \$40 (2008 - \$22). A stock-based compensation charge of \$7 was charged related to the discount provided to ESPP participants during the three months ended July 31, 2009 (2008 - \$4).

7. Earnings per share:

As described in note 6, a 5-for-1 share consolidation was implemented effective at the opening of trading on July 27, 2009. All share, earnings per share and stock option data for the current and prior comparative periods have been adjusted to reflect this share consolidation.

Basic and diluted earnings per share are calculated as follows:

<i>For the three months ended</i>	July 31 2009	July 31 2008
Net income	\$ 1,407	\$ 619
Weighted average number of shares outstanding	10,036	10,285
Incremental shares from assumed conversion of stock options & warrants	82	117
Adjusted weighted average number of shares outstanding	10,118	10,402
Earnings per share:		
Basic	\$ 0.14	\$ 0.06
Diluted	\$ 0.14	\$ 0.06

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8. Segmented information:

The Company evaluates operational performance based on two operating segments: software Application Lifecycle Management (ALM) and Interoperability (IO). These segments are managed separately, as each segment requires a unique marketing strategy, and is exposed to different economic environments. The ALM segment develops and markets software solutions that assist programmers in the creation of traditional and Web-based software, and in the management of the software development process. The IO segment encompasses products that address the issues surrounding cross-platform development, application migration, systems administration and network management.

It is the Company's policy to price internal sales or transfer values for services on an equivalent basis as that used for external pricing.

The following schedule provides required segmented information disclosure.

Three months ended	July 31, 2009			July 31, 2008		
	ALM	IO	Total	ALM	IO	Total
Revenue:						
North America	\$ 10,097	\$ 949	\$ 11,046	\$ 7,516	\$ 1,469	\$ 8,985
Europe & Other	4,276	418	4,694	5,927	453	6,380
Total revenue	\$ 14,373	\$ 1,367	\$ 15,740	\$ 13,443	\$ 1,922	\$ 15,365

Revenue:						
License	\$ 4,992	\$ 632	\$ 5,624	\$ 4,969	\$ 1,187	\$ 6,156
Maintenance	6,680	735	7,415	6,300	735	7,035
Service	2,701	—	2,701	2,174	—	2,174
Total revenue	\$ 14,373	\$ 1,367	\$ 15,740	\$ 13,443	\$ 1,922	\$ 15,365

Income:						
Operating income	\$ 2,232	\$ 87	\$ 2,319	\$ 638	\$ 511	\$ 1,149
Interest and income taxes			912			530
Net income			\$ 1,407			\$ 619

Purchase of fixed assets and intangible assets	\$ 279	\$ —	\$ 279	\$ 199	\$ 4	\$ 203
Depreciation and amortization of fixed assets and intangible assets	\$ 350	\$ 9	\$ 359	\$ 332	\$ 6	\$ 338

	July 31, 2009			April 30, 2009		
	ALM	IO	Total	ALM	IO	Total
Total assets:						
Canada	\$ 16,926	\$ —	\$ 16,926	\$ 12,888	\$ —	\$ 12,888
Other	10,699	12,534	23,233	12,832	11,383	24,215
Total assets	\$ 27,625	\$ 12,534	\$ 40,159	\$ 25,720	\$ 11,383	\$ 37,130
Fixed assets, intangible assets and goodwill	\$ 6,509	\$ 125	\$ 6,634	\$ 6,611	\$ 134	\$ 6,745

Geographic segmentation of revenue is determined based on the location of the customer.

During the three months ended July 31, 2009, one customer of the Company accounted for 23% of revenue.

During the three months ended July 31, 2008, no customers accounted for 10% or more of revenue.

At July 31, 2009, one customer accounted for 12% of accounts receivable. At April 30, 2009, no customer accounted for over 10% of accounts receivable.