

Consolidated Financial Statements of

ENABLENCE TECHNOLOGIES INC.

April 30, 2009 and 2008

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Auditors' Report

To the shareholders of
Enablence Technologies Inc.

We have audited the consolidated balance sheets of Enablence Technologies Inc. as at April 30, 2009 and 2008 and the consolidated statements of loss, other comprehensive income and comprehensive loss and shareholders' equity and cash flows for the years then ended. 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 Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2009 and 2008 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants

August 7, 2009

ENABLENCE TECHNOLOGIES INC.
Consolidated Financial Statements
April 30, 2009 and 2008

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ENABLENCE TECHNOLOGIES INC.

Consolidated Balance Sheets

as at April 30, 2009 and 2008

(\$ in thousands)

	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,503	\$ 36,159
Restricted cash	111	-
Short-term investments (Note 4)	-	11,050
Accounts receivable (Note 5)	11,439	2,235
Investment tax credits receivable (Note 9)	197	200
Inventories (Note 6)	19,941	1,330
Loan receivable (Note 7)	-	1,007
Prepaid expenses	2,398	868
	<u>45,589</u>	<u>52,849</u>
PROPERTY, PLANT AND EQUIPMENT (Note 10)	14,271	10,473
OTHER ASSETS (Note 12)	154	210
INTANGIBLE ASSETS (Note 11)	16,066	24,146
GOODWILL (Note 13)	16,496	20,123
	<u>\$ 92,576</u>	<u>\$ 107,801</u>
CURRENT LIABILITIES		
Operating line of credit (Note 8)	\$ 864	\$ -
Accounts payable and accrued liabilities	15,843	2,935
Deferred revenue	9,862	-
Current portion of note payable (Note 14)	1,331	627
	<u>27,900</u>	<u>3,562</u>
NOTE PAYABLE (Note 14)	2,524	3,135
CONVERTIBLE NOTE (Note 15)	3,579	-
FUTURE INCOME TAX LIABILITY (Note 9)	8,062	7,133
	<u>42,065</u>	<u>13,830</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 16)	131,128	109,575
Contributed surplus	8,200	6,623
Accumulated other comprehensive income	10,411	178
Deficit	(99,228)	(22,405)
	<u>50,511</u>	<u>93,971</u>
	<u>\$ 92,576</u>	<u>\$ 107,801</u>

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD

_____"Steve Bower"_____
Director

_____"Arvind Chhatbar"_____
Director

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Loss, Other Comprehensive Income
and Comprehensive Loss
For the years ended April 30, 2009 and 2008

(\$ in thousands except per share data)

	2009	2008
Revenue	\$ 45,238	\$ 3,152
Cost of sales including amortization of \$1,853 (2008 - \$282)	34,111	1,969
Gross profit	11,127	1,183
Operating expenses		
Research and development (net of investment tax credits of \$nil (2008-\$234))	16,805	5,702
Sales and marketing	9,734	363
General and administration	9,109	4,093
Stock-based compensation (Note 16)	1,705	2,424
Amortization of intangible assets	7,600	2,174
Amortization of property, plant and equipment	2,049	622
Restructuring charges (Note 19)	474	-
	47,476	15,378
OPERATING LOSS	(36,349)	(14,195)
Other income (expense)		
Interest income	726	1,735
Interest expense	(299)	(76)
Impairment of intangible assets (Note 11)	(30,200)	-
Impairment of goodwill (Note 13)	(17,500)	-
Foreign exchange gain (loss)	831	(84)
LOSS BEFORE INCOME TAXES	(82,791)	(12,620)
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	-	15
Future	(5,968)	(1,288)
NET LOSS	(76,823)	(11,347)
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gain on translating financial statements of self-sustaining foreign operations	10,233	478
OTHER COMPREHENSIVE INCOME	10,233	478
COMPREHENSIVE LOSS	\$ (66,590)	\$ (10,869)
Net Loss per share (Note 17)		
Basic and diluted	\$ (0.40)	\$ (0.08)
Weighted average number of outstanding shares (Note 17)		
Basic and diluted	192,355	142,534

See accompanying notes to the consolidated financial statements

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Shareholders' Equity
For the years ended April 30, 2009 and 2008

(\$ in thousands)

	<u>2009</u>	<u>2008</u>
SHARE CAPITAL (Note 16)	\$ 131,128	\$ 109,575
CONTRIBUTED SURPLUS		
Balance at beginning of year	6,623	4,201
Stock-based compensation expense	1,705	2,424
Fair value of warrants	-	754
Options exercised	(6)	(345)
Warrants exercised	(122)	(411)
	<u>8,200</u>	<u>6,623</u>
DEFICIT		
Balance at beginning of year	(22,405)	(11,058)
Net loss	(76,823)	(11,347)
	<u>(99,228)</u>	<u>(22,405)</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance at beginning of year	178	(300)
Unrealized gain on translation of financial statements of self-sustaining foreign operations	10,233	478
	<u>10,411</u>	<u>178</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 50,511</u>	<u>\$ 93,971</u>

See accompanying notes to the consolidated financial statements

ENABLENCE TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

For the years ended April 30, 2009 and 2008

(in thousands)	2009	2008
Operating activities		
Net loss	\$ (76,823)	\$ (11,347)
Items not affecting cash:		
Amortization of property, plant and equipment and intangible assets	11,502	3,078
Stock-based compensation	1,705	2,424
Unrealized foreign exchange loss (gain)	(179)	-
Future income taxes	(5,968)	(1,288)
Current income taxes	-	15
Impairment of intangible assets	30,200	-
Impairment of goodwill	17,500	-
	(22,063)	(7,118)
Changes in non-cash operating working capital items		
Accounts receivable	(2,350)	(863)
Investment tax credits receivable	3	121
Inventories	204	(283)
Prepaid expenses	(859)	(540)
Accounts payable and accrued liabilities	(826)	(1,113)
Deferred revenue	(1,751)	-
	(27,642)	(9,796)
Investing activities		
Redemption (purchase) of short-term investments	11,050	(11,050)
Increase in restricted cash balance	(111)	-
Purchase of property, plant and equipment	(2,672)	(1,010)
Purchase of other assets	(11)	(15)
Acquisition of subsidiaries (Note 18)	(11,143)	(12,636)
Repayment of (loan to) Wave7 Optics, Inc. (Note 7)	1,007	(1,007)
	(1,880)	(25,718)
Financing activities		
Change in operating line of credit	48	-
Repayment of note payable	(707)	-
Net proceeds from issuance of common shares, warrants and options, net of issuance costs (Note 26)	5,540	55,281
	4,881	55,281
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH	(15)	41
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(24,656)	19,808
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36,159	16,351
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,503	\$ 36,159
Non-cash financing activities		
Issuance of common shares on acquisition of subsidiaries (Note 18)	\$ 20,996	\$ 22,403
Supplementary information:		
Interest received	\$ 803	\$ 1,647
Interest paid	295	-
Income taxes paid	170	27
Cash	\$ 11,503	\$ 1,157
Cash equivalents	-	35,002
Total cash and cash equivalents	\$ 11,503	\$ 36,159

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

1. DESCRIPTION OF BUSINESS

Enablence Technologies Inc. (“the Company” or “Enablence”) is a publicly traded company that designs, manufactures and sells optical components, subsystems and systems to a global customer base. Enablence delivers the infrastructure for next generation telecommunication systems. The Company’s product lines address all three segments of optical networks: Access, connecting homes and businesses; Metro, communication rings within large cities; and Long-haul, linking cities or even continents.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

Principles of consolidation

The consolidated financial statements include the accounts of Enablence Technologies Inc., and its wholly owned subsidiaries comprised of the Systems division which includes Enablence USA FTTx Networks, Inc. (“FTTx Networks”) and Enablence Systems Inc. (“Systems”) and the Optical Components and Subsystems division which includes Enablence Switzerland AG (“Switzerland”), Enablence USA Components Inc. (“Components”), Enablence Technologies USA Inc. (“Wilmington”) and Enablence Canada Inc.

Revenue recognition

The Company records revenue when persuasive evidence of sales arrangements exist, delivery has occurred or services have been rendered, the buyer’s price is fixed or determinable and collection is reasonably assured.

The Company enters into transactions that represent multiple-element arrangements, which may include training and post-sales technical support and maintenance to customers as needed to assist them in installation or use of products and make provisions for these costs in the periods of sale. Multiple-element arrangements are assessed to determine whether they can be separated into more than one unit of accounting. Revenues and costs from multiple-element arrangements are separated into more than one unit of accounting if all of the following criteria are met:

- the delivered item(s) have value to the customer on a stand-alone basis;
- there is objective and reliable evidence of the fair value of the undelivered item(s); and
- the arrangement includes a general right of return relative to the delivered item(s) and delivery or performance of the undelivered item(s) is considered probable and substantially in our control.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is deferred when payment is received for services not rendered and is amortized over the term of the contract. Revenue may also be deferred under certain contractual arrangements whereby delivery is not considered to have occurred until all elements of the product have been delivered and accepted. If these criteria are not met, then revenue is deferred until such criteria are met or until the period(s) over which the last element is delivered. If there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative fair value.

Cash and cash equivalents

The Company considers all highly liquid investments with original maturity of three months or less at time of acquisition to be cash equivalents.

Short-term investments

Short-term investments consist of liquid investments with original maturity dates of between three months and one year at time of acquisition.

Inventories

Systems division

Inventories are recorded at the lower of cost or market. Cost is based on a standard cost which approximates actual cost on a first-in, first-out basis. Reserves are taken for obsolescence and slow moving items based on an analysis of both historic usage and future projected consumption. The division utilizes a contract manufacturing model whereby most products are manufactured and shipped directly from the contract manufacturer's site. Additionally, there is inventory at customer sites for which customer acceptance has not been completed.

Optical components and subsystems division

Reserves are taken for obsolete inventory and for reduction in the carrying value of inventory to reflect realizable value based on current cost, production and sales estimates.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

Investment tax credits

Investment tax credits are recorded as a reduction of the related expense or as a reduction of the cost of the related asset. The benefits are recognized when the Company has complied with the terms and conditions of applicable tax legislation provided there is reasonable assurance of realization.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is calculated over the anticipated useful lives of the assets at the following methods and rates:

<u>Asset class</u>	<u>Amortization term</u>
Machinery and equipment	5 and 12 years straight-line and 7 years diminishing balance
Lab equipment and tooling	3 years straight-line
Photomasks	3 to 5 years diminishing balance
Computer equipment	3 years straight-line
Software	2 and 3 years straight-line
Office furniture and equipment	3 years straight-line and 7-10 years diminishing balance
Leasehold improvements	Lesser of 10 years or term of lease

Intangible assets

Intangible assets, consisting of intellectual property, customer relationships and brand names, are recorded at fair value, estimated by management based on the expected discounted future cash flows associated with the acquired intangible assets. Acquired intangible assets are amortized on a straight-line basis over five years based on expected future life.

Intangible assets also include patents. Costs incurred to acquire patents are recorded at cost and amortized over ten years, the expected useful life of the patents.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

Long-lived assets are evaluated whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value (see Note 11).

Goodwill

Goodwill is calculated as the excess of the fair value of consideration paid over the fair value of tangible and intangible assets acquired and liabilities assumed. Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is tested in the fourth quarter of each fiscal year or if factors indicative of impairment are present (see Note 13).

Foreign currency translation

The Company enters into certain transactions in foreign currencies. These transactions are converted to Canadian dollars at the exchange rate in effect at the time the transaction occurs. Monetary assets and liabilities which are denominated in currencies other than Canadian dollars are translated to Canadian dollars at period-end exchange rates. Exchange gains and losses resulting from the translation of these amounts are included in earnings for the period.

All subsidiaries are considered to be self-sustaining foreign operations and as a result the financial statements of these subsidiaries are translated into Canadian dollars using the current rate method of foreign currency translation. Under this method assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date and revenues and expenses are translated at the average rate of exchange for the period. Gains and losses resulting from translation of the accounts are recorded in equity as accumulated other comprehensive income.

Financial instruments

The Company classifies financial assets and liabilities into categories that have prescribed accounting treatments. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

(a) Held-for-trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income. The Company has designated its cash and cash equivalents, restricted cash and short-term investments as held-for-trading.

Financial liabilities designated as held-for-trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value. These are accounted for in the same manner as held-for-trading assets. The Company has not designated any non-derivative financial liabilities as held-for-trading.

(b) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest rate method. The Company has not designated any financial assets as held-to-maturity.

(c) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income. Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost. The Company has not designated any of its financial assets as available-for-sale.

(d) Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest rate method. The Company has designated its accounts receivable and loans receivable as loans and receivables.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

(e) Other financial liabilities

Other financial liabilities are recorded at amortized cost using the effective interest rate method and include all financial liabilities, other than derivative instruments. The Company has designated its operating line of credit, accounts payable, accrued liabilities, note payable and convertible note as other financial liabilities.

(f) Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other financial liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest rate method.

(g) Effective interest rate method

The Company uses the effective interest rate method to recognize interest income or expense which includes transactions costs or fees, premiums or discounts earned or incurred for financial instruments.

Comprehensive income

Comprehensive income is the change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-shareholder sources. It includes all changes in equity during a period except those resulting from investments by shareholders and distributions to shareholders. Comprehensive income includes net earnings and other comprehensive income. Other comprehensive income refers to changes in net assets from certain transactions and other events and circumstances, other than transactions with shareholders. These changes are recorded directly as a separate component of shareholders' equity and excluded from net earnings. Other comprehensive income includes the unrealized gain or loss on translating the financial statements of self-sustaining foreign operations. A statement of comprehensive loss has been included in the financial statements.

Research and development costs

Current research costs are expensed as incurred. Expenditures for research and development equipment, net of related investment tax credits, are capitalized. Development costs are deferred and amortized when the criteria for deferral under generally accepted accounting principles are met, or otherwise, are expensed as incurred. To date the Company has not capitalized any development costs.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates. Significant estimates in the accompanying financial statements relate to allowance for doubtful accounts, inventory provisions and valuation, asset impairments, accruals, deferred revenue, stock based compensation, the estimated useful lives and valuation of property, plant and equipment, future income taxes, carrying values of intangible assets and goodwill and purchase price allocations on acquisitions.

Stock based compensation plans

The Company follows the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which establishes standards for the recognition, measurement and disclosure of stock-based compensation. Under this section, stock options are measured and recognized using a fair value based method.

3. CHANGES IN ACCOUNTING POLICY

(a) Current changes

Inventories

Effective May 1, 2008, the Company implemented the new CICA Handbook Section 3031, "Inventories", which is effective for fiscal years beginning on or after January 1, 2008. This new standard provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. It provides further guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and circumstances for their subsequent reversal. It also provides more restrictive guidance on the cost methodologies that are used to assign costs to inventories and describes additional disclosure requirements. The adoption of this standard has resulted in additional disclosure in the Corporation's consolidated financial statements.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

3. CHANGES IN ACCOUNTING POLICY

(a) Current changes

Financial instruments

Effective May 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.

The adoption of these new Handbook sections did not have a material impact on the Company's earnings or other comprehensive income. The new disclosures pursuant to these Sections are included in Note 20.

Capital disclosures

Effective May 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. The required disclosure of information about the Company's objectives, policies and processes for managing capital is included in Note 21. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

(b) Future changes

International financial reporting standards

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit oriented enterprises that are responsible to large or diverse groups of stakeholders. The official change-over date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will adopt this new standard for the fiscal year beginning May 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently evaluating the impact of adopting IFRS.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

3. CHANGES IN ACCOUNTING POLICY (Continued)

(b) Future changes

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", replacing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450, "Research and Development Costs", together with consequential changes to other Handbook sections. The new sections are applicable to the financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning May 1, 2009. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to the initial recognition of intangible assets by profit-oriented enterprises.

Consolidated financial statements and non-controlling interests

CICA 1601, "Consolidated Financial Statements" and CICA 1602, "Non-Controlling Interests", which together replace CICA 1600, "Consolidated Financial Statements". CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 established standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". The policy applies to interim and annual consolidated financial statements relating to fiscal years beginning January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new policies on the consolidated financial statements.

Financial assets and financial liabilities

The Emerging Issues Committee ("EIC") issued a new abstract on January 20, 2009 concerning the measurement of financial assets and financial liabilities ("EIC-173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"). There has been diversity in practice as to whether an entity's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial instruments. The EIC reached a consensus that these risks should be taken into account in the measurement of financial assets and financial liabilities. The Abstract is effective for all financial assets and financial liabilities measured at fair value in interim and annual financial statements issued for periods ending on or after the date of issuance of the Abstract with retrospective application without restatement of prior periods.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

4. SHORT-TERM INVESTMENTS

Short-term investments are limited to low risk money market securities with maturities of 12 months or less. The investments are made with the intention of holding securities to maturity and will be timed, where possible, to account for cash flow projections, capital tax and/or to take advantage of yield opportunities. There were no short-term investments at April 30, 2009. As at April 30 2008, short-term investments consisted of \$11,050 in low risk fixed income certificates with maturity dates ranging from September 5, 2008 to September 22, 2008. Short-term investments are recorded at fair value.

5. ACCOUNTS RECEIVABLE

	<u>2009</u>	<u>2008</u>
Trade	\$ 11,338	\$ 1,895
Accrued	65	107
Other	36	233
	<u>\$ 11,439</u>	<u>\$ 2,235</u>

6. INVENTORIES

	<u>2009</u>	<u>2008</u>
Raw materials	\$ 6,645	\$ 850
Work-in-progress	1,406	321
Finished goods	8,735	159
Inventory at customer sites	5,564	-
Allowance for obsolescence	(2,409)	-
	<u>\$ 19,941</u>	<u>\$ 1,330</u>

Inventory at customer sites arises when inventory has been received by the customer but revenue cannot be recognized until all elements have been delivered and accepted by the customer as stipulated by the terms of the contract.

7. LOAN RECEIVABLE

As at April 30, 2008, the loan receivable consisted of a loan advanced to Wave7 Optics Inc. in the amount of US\$1,000 at an interest rate of 10% per annum. On May 5, 2008, Wave7 Optics, Inc. was acquired by the Company.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

8. OPERATING LINE OF CREDIT

The Company had an operating line of credit available to it up to a maximum of US\$750 with interest at 3.5%. Subsequent to April 30, 2009, the operating line of credit was not renewed and the outstanding balance was repaid.

9. INCOME TAXES AND INVESTMENT TAX CREDITS

A reconciliation of the expected income tax recovery to the actual income tax recovery reported in the consolidated statements of loss and comprehensive loss is as follows:

	<u>2009</u>	<u>2008</u>
Loss before income taxes	\$ (82,791)	\$ (12,621)
Statutory rate	33.33%	35.25%
Expected tax recovery	<u>\$ (27,594)</u>	<u>\$ (4,448)</u>
Permanent differences	6,412	848
Decrease in tax rates	(171)	790
Change in opening balances	-	129
Changes in foreign exchange rates	(3,134)	81
Foreign tax rate differential and other	(2,467)	38
Losses not tax-effected	-	1,518
Change in valuation allowance	20,986	(244)
Future income tax recovery	(5,968)	(1,288)
Corporate minimum tax payable	-	15
Income tax recovery	<u>\$ (5,968)</u>	<u>\$ (1,273)</u>
<u>Future income tax assets (liabilities)</u>		
Tax losses carried forward	\$ 110,659	\$ 6,813
Research and development expenditures	3,031	2,254
Deductible share issuance costs	1,060	1,526
Other accruals	-	212
	<u>114,750</u>	<u>10,805</u>
Less: valuation allowance	(114,555)	(6,566)
Future tax assets	195	4,239
Net book value of property, plant and equipment and intangible assets in excess of tax cost base	<u>(8,257)</u>	<u>(11,372)</u>
Net future tax liability	<u>\$ (8,062)</u>	<u>\$ (7,133)</u>

ENABLENCE TECHNOLOGIES INC.

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9. INCOME TAXES AND INVESTMENT TAX CREDITS (Continued)

When assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The realization of future tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences are deductible and before tax losses expire. The amount of the future tax asset considered realizable could change materially in the near term, based on future taxable income during the carry-forward period.

Of the \$114,555 in valuation allowance, \$100,539 relates to pre-acquisition restricted net operating losses.

At April 30, 2009, the Company had unused Canadian and foreign non-capital tax losses and Scientific Research and Experimental Development ("SR&ED") expenditures available to be carried forward to offset future taxable income and investment tax credits available to offset future tax payable in Canada, as follows:

<u>Expiry</u>	<u>Canadian Operating Tax Losses</u>	<u>Foreign Operating Tax Losses*</u>	<u>Canadian Investment Tax Credits</u>	<u>Canadian SR&ED Deductions</u>
2010	\$ 20	\$ -	\$ -	\$ -
2011	1,274	-	-	-
2015	1,242	-	-	-
2020	-	1,154	-	-
2021	-	15,109	-	-
2022	-	23,670	-	-
2023	-	30,822	-	-
2024	-	32,089	-	-
2025	-	45,225	-	-
2026	831	39,452	1	-
2027	2,585	73,907	618	-
2028	3,702	7,017	674	-
2029	5,098	13,505	635	-
Indefinite carry-forward	-	-	-	10,452
	\$ 14,752	\$ 281,950	\$ 1,928	\$ 10,452

* Included in foreign operating tax losses of \$281,950 are \$267,393 of pre-acquisition net operating losses which are subject to annual limitations under Section 382 of the Internal Revenue Code of the United States.

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10. PROPERTY, PLANT AND EQUIPMENT

	April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	\$ 22,844	\$ 10,798	\$ 12,046
Lab equipment and tooling	2,244	1,475	769
Photomasks	473	159	314
Computer equipment	2,091	1,763	328
Software	4,507	4,182	325
Office furniture and equipment	988	721	267
Leasehold improvements	552	330	222
	<u>\$ 33,699</u>	<u>\$ 19,428</u>	<u>\$ 14,271</u>

	April 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	\$ 10,581	\$ 1,650	\$ 8,931
Lab equipment and tooling	1,807	828	979
Photomasks	299	19	280
Computer equipment	90	26	64
Software	38	23	15
Office furniture and equipment	153	28	125
Leasehold improvements	92	13	79
	<u>\$ 13,060</u>	<u>\$ 2,587</u>	<u>\$ 10,473</u>

11. INTANGIBLE ASSETS

	April 30, 2009			Net Book Value
	Cost	Accumulated Amortization	Impairments	
Intellectual property	\$ 26,921	\$ 5,404	\$ 11,900	\$ 9,617
Customer relationships	27,313	4,555	16,600	6,158
Brand name	2,076	376	1,700	-
Patents	399	108	-	291
	<u>\$ 56,709</u>	<u>\$ 10,443</u>	<u>\$ 30,200</u>	<u>\$ 16,066</u>

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

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11. INTANGIBLE ASSETS (Continued)

	April 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Intellectual property	\$ 14,078	\$ 1,656	\$ 12,422
Customer relationships	10,224	465	9,759
Brand name	1,712	78	1,634
Patents	399	68	331
	<u>\$ 26,413</u>	<u>\$ 2,267</u>	<u>\$ 24,146</u>

Long-lived assets are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the Company's third quarter which ended January 31, the global economic conditions represented a material change in the Company's operating environment when evaluating the carrying value of intangible assets. The Company determined that there was a \$30,200 reduction in value at January 31, 2009 and recorded an impairment charge of \$30,200 in the third quarter of fiscal 2009. No impairments were recorded in the year ended April 30, 2008.

12. OTHER ASSETS

	April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Technical license fee	\$ 89	\$ 40	\$ 49
Security deposit	91	-	91
Other	18	4	14
	<u>\$ 198</u>	<u>\$ 44</u>	<u>\$ 154</u>
	April 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Technical license fee	\$ 76	\$ 21	\$ 55
Security deposit	67	-	67
Long-term deposits	74	-	74
Other	15	1	14
	<u>\$ 232</u>	<u>\$ 22</u>	<u>\$ 210</u>

ENABLENCE TECHNOLOGIES INC.

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13. GOODWILL

	As at April 30,	
	2009	2008
Balance, beginning of year	\$ 20,123	\$ -
Acquisition of ANDevices, Inc.		
Goodwill on original acquisition	-	20,100
Impairment recognized	(17,500)	-
Acquisition of Pannaway Systems Inc.		
Goodwill on original acquisition	10,185	-
Foreign exchange differential	3,688	23
	<u>\$ 16,496</u>	<u>\$ 20,123</u>

Goodwill is tested in the fourth quarter of each fiscal year or if factors indicative of impairment are present. The Company conducted a review of the carrying value of goodwill and concluded that the carrying value of goodwill was impaired and as such took a charge of \$17,500 in the third quarter of fiscal 2009.

14. NOTE PAYABLE

Note payable is to a U.S. subsidiary of a foreign bank for US\$3,735, maturing March 30, 2012 at an interest rate based on the Wall Street Journal prime rate plus 0.25%, resulting in an interest rate of 5.50% as at April 30, 2009. The loan is repayable in six monthly consecutive interest payments beginning April 30, 2008, forty-one monthly principal and interest payments in the amount of US\$98 each beginning October 30, 2008 and one final payment of US\$98 on March 30, 2012. The fair value of the note was \$3,855 at April 30, 2009.

The principal repayment schedule as of April 30, 2009 is as follows:

2010	\$1,331
2011	1,295
2012	<u>1,229</u>
	<u>\$3,855</u>

The current portion of the note payable is \$1,331 and the long-term portion is \$2,524. Interest paid in the year ended April 30, 2009 is \$206 (2008 - \$72). Interest accrued at April 30, 2009 is \$11 (2008 - \$10).

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

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15. CONVERTIBLE NOTES

On November 19, 2008, Enablence acquired Pannaway Technologies Inc. (Note 18). As partial consideration for the acquisition, Enablence issued ten-year convertible notes (the "Notes") with a principal value of US\$3,000 bearing interest at 5% per annum. For the first 36 months, monthly payments of interest will be made. Thereafter, equal monthly payments of outstanding principal and interest will be made until the maturity date of November 19, 2018. The Notes are convertible, at the option of the holder, from the third anniversary until the fifth anniversary or in the event of a default, at a conversion price equal to the greater of (i) the closing market price on the last trading day prior to the date of the conversion notice, and (ii) the conversion price of \$0.365 (US\$0.317) in the first two years, \$0.402 (US\$0.349) in the third year, \$0.442 (US\$0.384) in the fourth year and \$0.486 (US\$0.422) in the fifth year. The maximum number of shares that can be issued pursuant to the Notes is 9,464 shares. The Company has recorded the entire value of the note as debt as the Company has determined that there was no value associated with the equity component.

During the year ended April 30, 2009, the Company paid interest of \$76 (2008 - \$nil). Interest accrued at April 30, 2009 was \$5 (2008 - \$nil).

16. SHARE CAPITAL

Authorized

Unlimited number of common shares

	Number of common Shares	Amount
Issued and outstanding		
April 30, 2007	117,247	\$ 31,889
Issued for cash, net of \$3,849 issuance costs	42,593	53,651
Fair value of broker warrants issued, recorded as issuance costs	-	(754)
Issued on exercise of options	2,028	1,186
Issuance costs	-	(31)
Exercise of broker warrants	1,738	1,231
Issued for acquisition of ANDevices, Inc. (Note 18)	9,085	22,403
April 30, 2008	172,691	109,575
Issued for acquisition of Wave7 Optics, Inc. (Note 18)	2,078	3,547
Issued for acquisition of assets from DuPont Photonics (Note 18)	6,848	9,724
Issued for acquisition of Pannaway Technologies Inc. (Note 18)	25,750	7,725
Exercise of broker warrants	1,000	492
Issued on exercise of options	160	65
April 30, 2009	208,527	\$ 131,128

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

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16. SHARE CAPITAL (Continued)

As partial compensation for prior year financing arrangements completed on July 24, 2006, 2,849 broker warrants were issued entitling the holder to purchase one common share at a price per share of \$0.37 to May 24, 2008. The warrants were valued at \$349 at the time of issuance and have been recorded as an issuance cost. The fair value was determined using the Black-Scholes pricing model. 1,000 broker warrants were exercised during the year ended April 30, 2009, resulting in cash proceeds of \$370. During the year ended April 30, 2008, 1,290 broker warrants were exercised resulting in cash proceeds of \$477. During the year ended April 30, 2007, 559 broker warrants were exercised resulting in cash proceeds of \$207. There are no remaining warrants from this financing.

On March 1, 2007, the Company completed a private placement of 25,000 common shares at a price of \$0.60 per share for gross proceeds of \$15 million. As partial compensation for this transaction 1,750 broker warrants were issued entitling the holder to purchase one common share at a price of \$0.60 per share to March 1, 2009. The warrants were valued at \$633 at the time of issuance and recorded as an issuance cost.

The fair value was determined using the Black-Scholes pricing model. No warrants were exercised during the year ended April 30, 2009. 1,400 unexercised warrants expired on March 1, 2009. 350 broker warrants were exercised during the year ended April 30, 2008 resulting in cash proceeds of \$210.

On October 25, 2007, the Company completed a public offering issuing an aggregate of 42,593 common shares at a price of \$1.35 per share for gross proceeds of \$57,500. As partial compensation for this transaction, 1,278 broker warrants were issued entitling the holder to purchase one common share at a price of \$1.35 per share to April 25, 2009. The warrants were valued at \$754 and recorded as an issuance cost. The fair value was determined using the Black-Scholes pricing model. No warrants were exercised during the year ended April 30, 2009. 1,180 unexercised warrants expired on April 25, 2009. 98 broker warrants were exercised during the year ended April 30, 2008 resulting in cash proceeds of \$133.

ENABLENCE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the year ended April 30, 2009 and 2008

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16. SHARE CAPITAL (Continued)

Warrants

Each warrant entitles the holder to purchase one common share of the Company. A summary of the warrants outstanding and the changes during the periods is presented below:

	Year ended April 30,			
	2009		2008	
	Number of Warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	3,580	\$0.78	4,040	\$ 0.47
Issued	-	-	1,278	\$ 1.35
Exercised	(1,000)	\$0.37	(1,738)	\$ 0.47
Expired	(2,580)	\$0.94	-	-
Outstanding, and exercisable end of year	-	-	3,580	\$ 0.78

The following table summarizes information for warrants outstanding:

	Expiry	April 30, 2009	April 30, 2008
\$ 0.37	May 24, 2008	-	1,000
\$ 0.60	March 1, 2009	-	1,400
\$ 1.35	April 25, 2009	-	1,180
		-	3,580

Stock option plan

The Company has established a stock option plan available for directors, officers, employees, and consultants and authorized 23,400 common shares for issuance thereunder. The options are granted with exercise prices equal to the fair market value of the common shares of the Company on the date of grant. Options granted prior to September 7, 2007 generally vested in four equal portions during the first year and expire on the earlier of the 10th anniversary of the grant date or 90 days after termination of employment. Options granted after September 7, 2007 and before March 18, 2008 generally vested in four equal portions during the first eighteen months and expire on the earlier of the 10th anniversary of the grant date or termination of employment. Options granted on or after March 18, 2008 generally vest in four equal annual portions starting one year after the date of grant and expire on the 10th anniversary of the grant or 90 days after termination of employment.

ENABLENCE TECHNOLOGIES INC.

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16. SHARE CAPITAL (Continued)

Stock option plan

A summary of the status of the Company's stock options and changes during the years is presented below:

	Year ended April 30,			
	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	12,580	\$ 0.91	12,208	\$ 0.56
Granted	6,147	\$ 0.96	2,550	\$ 2.24
Forfeited	(1,268)	\$ 1.12	(150)	\$ 1.65
Exercised	(160)	\$ 0.37	(2,028)	\$ 0.41
Outstanding, end of year	17,299	\$ 0.93	12,580	\$ 0.91
Exercisable, end of year	10,303	\$ 0.77	10,255	\$ 0.59

The following table summarizes the options outstanding and exercisable as at April 30, 2009:

Options Outstanding			Options Exercisable	
Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Exercise Price (\$)
\$ 0.30	1,500	9.63	-	\$ 0.30
0.37	3,085	7.23	3,085	0.37
0.50	2,640	7.63	2,640	0.50
0.80	2,955	7.85	2,955	0.80
1.15	4,104	9.26	-	1.15
1.37	675	7.92	675	1.37
1.45	100	9.02	-	1.45
1.59	200	9.17	-	1.59
2.30	1,750	8.77	875	2.30
2.39	290	8.88	73	2.39
\$ 0.93	17,299	8.33	10,303	\$ 0.77

Under the fair value method, the Company calculates the fair value of stock option grants at the date of granting, and amortizes that fair value as compensation expense over the vesting period of those grants and awards. The fair value is determined using the Black-Scholes option pricing model with the following assumptions updated quarterly for the following grant periods:

ENABLENCE TECHNOLOGIES INC.

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16. SHARE CAPITAL (Continued)

Stock option plan

	Jan. 31, 2009	Oct. 31, 2008	July 31, 2008	April 30, 2008	Jan. 31, 2008	Oct. 31, 2007	July 31, 2007
Risk-free interest rate	1.17%	2.89%	3.19%	3.07%	4.04%	4.00%	4.66%
Expected life of options (years)	4	4	4	4	3	3	3
Expected annualized volatility	77%	77%	75%	77%	75%	75%	80%
Expected dividend yield	nil	nil	nil	nil	nil	nil	nil

There were no options granted during the period from February 1, 2009 to April 30, 2009.

During the year ended April 30, 2009 stock-based compensation expense was \$1,705 (2008 - \$2,424). Stock-based compensation is recorded as an increase to contributed surplus. During the year ended April 30, 2009, grant date fair value of options issued was \$3,443 (2008 - \$2,924).

17. LOSS PER SHARE

Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated by dividing the net 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 common shares had been issued during the period. As result of the net losses in each of the reporting periods, the potential effect of the exercise of stock options was anti-dilutive; therefore, 17,299 potentially dilutive shares at April 30, 2009 (2008 - 16,160) have not been included in the calculation of diluted loss per common share for the years ended April 30, 2009 and April 30, 2008.

18. ACQUISITIONS

Pannaway Technologies Incorporated (“Pannaway”)

On November 19, 2008, the Company completed the acquisition of Pannaway (a company incorporated under the laws of Delaware). The operations of Pannaway have been merged with the Company’s Systems Division, and results of operations included following this date.

ENABLENCE TECHNOLOGIES INC.

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18. ACQUISITIONS (Continued)

Pannaway Technologies Incorporated ("Pannaway")

As consideration for the acquisition, the Company issued (a) 20,250 common shares of Enablence valued at \$0.30 per share, of which 3,000 shares are held in escrow, (b) \$250 (US\$200) to Pannaway shareholders and (c) 5,500 common shares of Enablence to a Pannaway debt holder in respect to the cancellation of certain Pannaway debt. Enablence also issued ten-year convertible notes (the "Notes") with a principal value of US\$3,000 bearing interest at 5% per annum. For the first 36 months, monthly payments of interest will be made. Thereafter, equal monthly payments of outstanding principal and interest will be made until the maturity date of November 19, 2018. The Notes are convertible, at the option of the holder, from the third anniversary until the fifth anniversary or in the event of a default, at a conversion price equal to the greater of (i) the closing market price on the last trading day prior to the date of the conversion notice, and (ii) the conversion price of \$0.365 (US\$0.317) in the first two years, \$0.402 (US\$0.349) in the third year, \$0.442 (US\$0.384) in the fourth year and \$0.486 (US\$0.422) in the fifth year. The maximum number of shares that can be issued pursuant to the Notes is 9,464 common shares. The Company has recorded the entire value of the note as debt as the Company has determined that there was no value associated with the equity component.

The acquisition was accounted for by the purchase method, whereby the results of the operation of Pannaway are included in the consolidated statements of loss and comprehensive loss and cash flows since the acquisition date. The net purchase price of \$11,964 was allocated based on the fair value of the net identifiable assets acquired.

Purchase Price

Cash	\$	250
Issuance of 25,750 Enablence shares		7,725
5% Convertible notes (US\$3,000)		3,758
Transaction costs		<u>231</u>
	\$	<u>11,964</u>

The following table summarizes the net assets acquired based on estimated fair values.

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18. ACQUISITIONS (Continued)

Pannaway Technologies Incorporated (“Pannaway”)

Assets acquired:	
Cash	\$ 270
Restricted cash	90
Accounts receivable	3,366
Inventory	11,667
Other current assets	75
Property and equipment	1,118
Intangible assets	11,421
Goodwill	10,185
	<hr/>
	38,192
Liabilities assumed:	
Accounts payable and accrued liabilities	9,796
Deferred revenue	11,833
Future income tax liability	4,599
	<hr/>
	26,228
	<hr/>
Total purchase price consideration	\$ 11,964

The value assigned to identifiable intangible assets is attributable to existing intellectual property and customer relationships. The intangible assets are amortized on a straight-line basis over a five-year period from the date of acquisition.

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18. ACQUISITIONS (Continued)

Wave7 Optics, Inc. ("Wave7")

On May 5, 2008, the Company acquired all of the outstanding shares of Wave7 for consideration of \$10,568 (US\$10,500) in cash, 2,078 common shares valued at \$1.71 per share or \$3,547 plus \$274 of transaction costs.

The acquisition was accounted for by the purchase method, whereby the results of the operations of Wave7 are included in the consolidated statements of loss and comprehensive loss and cash flows since the acquisition date. The net purchase price of \$14,389 was allocated based on the fair value of the net identifiable assets acquired. This allocation resulted in an excess of the fair value of the net identifiable assets over the cost of the purchase, which is sometimes referred to as negative goodwill. The negative goodwill was allocated on a pro-rata basis to the fair value of the long-term tangible and intangible assets acquired.

Purchase Price

Investment of cash	\$ 10,568
Issuance of 2,078 Enableness shares	3,547
Transaction costs	<u>274</u>
	<u>\$ 14,389</u>

The following table summarizes the net assets acquired based on estimated fair values.

Assets acquired:	
Cash	\$ 288
Accounts receivable	2,595
Inventory	5,710
Prepays and deposits	364
Property and equipment	682
Intangible assets	15,884
	<u>25,523</u>
Liabilities assumed:	
Accounts payable	2,055
Accrued and other liabilities	1,826
Deferred revenue	349
Future income tax liability	6,904
	<u>11,134</u>
Total purchase price consideration	<u>\$ 14,389</u>

The value assigned to identifiable intangible assets is attributable to existing customer relationships. The intangible assets are amortized on a straight-line basis over a three to five-year period from the date of acquisition.

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18. ACQUISITIONS (Continued)

Assets of DuPont Photonics Technologies LLC (“DuPont Photonics”)

On July 31, 2008, the Company acquired certain assets of DuPont Photonics, a wholly owned subsidiary of E.I. du Pont de Nemours and Company (“DuPont”) for consideration of \$4,613 in exchange for 3,249 common shares of Enablence, valued at \$1.42 per share. Concurrent with the closing of the transaction, DuPont completed a \$5,111 (US\$5,000) investment in the Company, in consideration of which Enablence issued 3,599 common shares, valued at a fair value of \$1.42 per share.

Purchase Price

Issuance of 3,599 Enablence shares for cash	\$ 5,111
Issuance of 3,249 Enablence shares for assets	4,613
Transaction costs	<u>106</u>
	<u>\$ 9,830</u>

The following table summarizes the assets acquired based on estimated fair values.

Assets acquired:	
Cash	\$ 5,111
Inventory	1,239
Production equipment	1,258
Intangible assets	<u>2,222</u>
	<u>\$ 9,830</u>

The value assigned to identifiable intangible assets is attributable to existing customer relationships and intellectual property. The intangible assets will be amortized on a straight-line basis over a three to five-year period from the date of acquisition.

ANDevices, Inc. (“AND”)

On February 7, 2008, the Company acquired all of the outstanding shares of AND for consideration of \$13,572 (US\$13,500) or in cash and 9,085 common shares valued at \$2.47 per share or \$22,403 plus \$264 of transaction costs.

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18. ACQUISITIONS (Continued)

ANDevices, Inc. ("AND")

In addition, the Company granted 1,950,000 options to acquire common shares in the Corporation at \$2.30 per share to certain employees of AND. These options will vest in four equal semi-annual installments over a two-year period. These options are not part of the purchase price.

The acquisition was accounted for by the purchase method, whereby the results of the operations of AND are included in the consolidated statements of loss and comprehensive loss and cash flows since the acquisition date and the related identifiable assets acquired and liabilities assumed are recorded at their fair values on the date of acquisition.

Purchase Price

Investment of cash	\$	13,572
Issuance of 9,085 Enableness shares		22,403
Transaction costs		<u>264</u>
	\$	<u>36,239</u>

The following table summarizes the net assets acquired based on estimated fair values.

Assets acquired:	
Cash	\$ 1,211
Accounts receivable	1,130
Inventory	878
Prepays and deposits	226
Property and equipment	6,520
Intangible assets	20,273
Future income tax assets	3,078
Goodwill	20,100
	<u>53,416</u>
Liabilities assumed:	
Accounts payable and accrued liabilities	3,386
Loans	3,858
Future income tax liability	9,933
	<u>17,177</u>
Total purchase price consideration	\$ 36,239

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18. ACQUISITIONS (Continued)

ANDevices, Inc. (“AND”)

The \$20,273 value assigned to identifiable intangible assets is attributable to existing technology and intellectual property, customer relationships and brand value. Existing technology and intellectual property carry a value of \$8,351, customer relationships carry a value of \$10,212 and brand value carries a value of \$1,710. The intangible assets will be amortized on a straight-line basis over a 5 year period from the date of acquisition.

19. RESTRUCTURING CHARGES

In response to deteriorating global economic conditions and, in light of its recent acquisitions, management conducted a review of its operations and implemented a restructuring plan in November 2008 to reduce costs and improve operating efficiencies. The restructuring charges consisted of severance and benefits related to the reduction of the Company’s workforce. During the year ended April 30, 2009, the Company paid \$474 in restructuring charges. There are no accrued liabilities related to restructuring charges at April 30, 2009.

20. FINANCIAL INSTRUMENTS

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>April 30, 2009</u>	<u>April 30, 2008</u>
Held-for-trading (1)	\$ 11,614	\$ 47,209
Loans and receivables (2)	11,636	3,442
Other financial liabilities (3)	24,141	6,070

(1) Includes cash and cash equivalents, restricted cash and short-term investments

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

(3) Includes accounts payable and accrued liabilities, operating line of credit, note payable and convertible note

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(In thousands of Canadian dollars and shares except per share data and except as otherwise indicated)

20. FINANCIAL INSTRUMENTS (Continued)

Fair value

Cash and cash equivalents and short-term investments 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

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and amounts receivable. The Company primarily invests its excess cash in high quality financial instruments. The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. As at April 30, 2009, one customer accounted for 14% of the trade accounts receivable balance (2008 - 31%).

The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectibility of its trade receivables in order to mitigate any possible credit losses.

The allowance for doubtful accounts provision and past due receivables are reviewed by management at each balance sheet reporting date. The Company updates its estimate of the allowance for doubtful accounts based on an examination of the aged accounts receivable listing, considering such factors as customer payment history and the current financial condition of the customers. Accounts receivable are written off once determined not to be collectible.

The ageing of trade accounts receivable (net of an allowance of \$267) is summarized as follows:

	April 30, 2009	April 30, 2008
Current or under 60 days	\$ 8,840	\$ 1,386
Past due 61 to 90 days	645	89
Past due greater than 90 days	1,853	420
Total trade accounts receivable	\$ 11,338	\$ 1,895

Of the \$2,498 of past due accounts receivable at April 30, 2009, \$813 has been collected after April 30, 2009. Of the past due accounts receivable greater than 90 days of \$1,853, \$732 is contractually held back pending completion of certain customer terms and conditions. All of these holdback amounts are included in deferred revenue.

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20. FINANCIAL INSTRUMENTS (Continued)

Credit risk

The continuity of the allowance for doubtful accounts is as follows:

	2009	2008
Opening balance	\$ 165	\$ -
Increase during the year	102	165
Closing balance	\$ 267	\$ 165

Interest rate risk

The Company is exposed to interest rate risk as its U.S. dollar denominated note payable has a variable interest rate based on the Wall Street Journal prime rate. The Company does not use derivative instruments to reduce its exposure to interest rate risk as the risk is considered manageable.

Foreign currency risk

The Company operates internationally with subsidiaries in Switzerland and the United States and is therefore subject to foreign currency risk. The Company incurs expenses and earns revenues in U.S. dollars, Euros, Swiss francs and Japanese yen. However, the majority of the transactions are in U.S. dollars so that the major exposure is from fluctuations in the value of the Canadian dollar relative to the U.S. dollar. To date the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

A 10% strengthening of the following currencies against the Canadian dollar would have increased net losses from operations and increased other comprehensive income ("OCI") by the amounts shown below. A weakening of the following currencies would have the opposite effect.

	April 30, 2009		April 30, 2008	
	Net loss	OCI	Net loss	OCI
USD	\$ 2,083	\$ 4,158	\$ 152	\$ 3,624
Swiss francs (CHF)	87	420	119	710

Liquidity risk

Liquidity risk is the risk that 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.

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20. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

At April 30, 2009, the Company has two long-term financial liabilities, payment of which is due as follows including interest:

(000's)	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Beyond Fiscal 2013	Total
Note payable	\$ 1,510	\$ 1,404	\$ 1,265	\$ -	\$ -	\$ 4,179
Convertible debt	179	179	432	666	3,205	4,661
Total	\$ 1,689	\$ 1,583	\$ 1,697	\$ 666	\$ 3,205	\$ 8,840

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

21. CAPITAL DISCLOSURES

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business through organic growth and selective acquisitions.

Management defines capital as the Company's total shareholders' equity and long-term debt. 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 new debt. To date, no dividends have been paid to the Company's shareholders and none are planned.

There were no changes in the Company's approach to capital management during the year.

Under the terms of the Note Payable (Note 14) a wholly owned subsidiary of the Company must maintain certain working capital and net worth ratios.

22. SEGMENTED INFORMATION

The Company has three reportable segments: Systems and Optical Components and Subsystems ("OCS") and Corporate as determined by the President and Chief Executive Officer who is the chief operating decision maker.

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22. SEGMENTED INFORMATION (Continued)

The Company's reportable segments are strategic business units comprised of different products and services. The Company uses these segments as a primary basis of internal reporting, planning, performance analysis and decision making. The products and services of each reportable segment require different technology and marketing strategies. Revenue and net loss by reportable segment is presented in the following table:

2009	Revenue	Net Loss
Systems	\$ 30,783	\$ (19,357)
OCS	14,455	(53,326)
Corporate	-	(4,140)
	\$ 45,238	\$ (76,823)

2008	Revenue	Net Income (Loss)
Systems	\$ -	\$ -
OCS	3,152	(11,634)
Corporate	-	287
	\$ 3,152	\$ (11,347)

Intersegment revenue for the year ended April 30, 2009 consisted of sales of \$80 from the OCS division to the Systems division (2008 - nil).

Certain assets by reportable segment are presented in the following table:

2009	Goodwill	Intangibles	Goodwill impairment charges	Intangibles impairment charges
Systems	\$ 9,700	\$ 11,668	\$ -	\$ 7,500
OCS	6,796	4,398	17,500	22,700
Corporate	-	-	-	-
	\$ 16,496	\$ 16,066	\$ 17,500	\$ 30,200

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22. SEGMENTED INFORMATION (Continued)

2008	Goodwill	Intangibles	Goodwill impairment charges	Intangibles impairment charges
Systems	\$ -	\$ -	\$ -	\$ -
OCS	20,123	24,146	-	-
Corporate	-	-	-	-
	\$ 20,123	\$ 24,146	\$ -	\$ -

Revenue and certain assets are analyzed geographically as follows:

	Revenue		Property and equipment		Goodwill and intangibles	
	2009	2008	2009	2008	2009	2008
United States	\$ 27,459	\$ 2,225	\$ 10,369	\$ 6,333	\$ 32,271	\$ 39,495
Andorra	6,331	-	-	-	-	-
Canada	1,790	-	894	1,097	291	331
Germany	1,559	-	-	-	-	-
Taiwan	1,425	-	-	-	-	-
Israel	1,250	709	-	-	-	-
China	1,155	-	-	-	-	-
Japan	1,149	-	-	-	-	-
Switzerland	-	32	3,008	3,043	-	4,443
Other foreign countries	3,120	186	-	-	-	-
	\$ 45,238	\$ 3,152	\$ 14,271	\$ 10,473	\$ 32,562	\$ 44,269

During the year ended, April 30, 2009, one customer accounted for 14% of the Company's total revenue and one customer accounted for 14% of the accounts receivable balance at April 30, 2009. During the year ended April 30, 2008, one customer accounted for 20% of the Company's total revenue and one customer accounted for 16% of the Company's total revenue. One customer accounted for 31% of the accounts receivable balance at April 30, 2008.

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23. COMMITMENTS

The Company leases office space and certain capital assets under operating leases. Minimum lease payments due under these leases for the next six years and beyond are as follows:

2010	\$ 1,755
2011	1,605
2012	746
2013	793
2014	460
2015 and beyond	<u>1,324</u>
	<u>\$ 6,683</u>

24. COMPARATIVE FIGURES

Sales and marketing has been separated from general and administration to conform to the current presentation.

25. SUBSEQUENT EVENTS

On May 12, 2009, the Company completed a public offering and issued an aggregate of 46,000 common shares (including 6,000 common shares pursuant to the exercise by the Agents of the over-allotment option in full) at a price of \$0.30 per share for total gross proceeds of \$13,800 (the "Offering").

Compensation options entitling the Agents to purchase 1,840 common shares or 4% of the common shares were sold pursuant to the Offering. Each compensation option is exercisable to acquire one common share of the Corporation at an exercise price of \$0.30 per share for a period of 18 months.