Consolidated Financial Statements of

ENABLENCE TECHNOLOGIES INC.

For the fourteen months ended June 30, 2011 and twelve months ended April 30, 2010

Deloitte.

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Independent Auditor's Report

To the Shareholders of Enablence Technologies Inc.

We have audited the accompanying consolidated balance sheets of Enablence Technologies Inc. as at June 30, 2011 and April 30, 2010, and the consolidated statements of loss, other comprehensive loss and comprehensive loss, shareholders' equity and cash flows for the fourteen and twelve month periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Enablence Technologies Inc. as at June 30, 2011 and April 30, 2010, and the results of its operations and its cash flows for the fourteen and twelve month periods then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has sustained significant losses since its inception, has used $31,882 on its operations for the fourteen-month period ended June 30, 2011 and, as of that date, the Company has an accumulated deficit of $233,918. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
October 20, 2011

ENABLENCE TECHNOLOGIES INC.
Consolidated Financial Statements
June 30, 2011

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ENABLENCE TECHNOLOGIES INC.
Consolidated Balance Sheets
(In thousands of Canadian dollars)

	June 30, 2011	April 30, 2010
CURRENT ASSETS		
Cash and cash equivalents	$ 10,035	$ 22,098
Accounts receivable (Note 5)	5,718	5,040
Inventories (Note 6)	5,361	4,109
Prepaid expenses and deposits	577	1,200
Restricted cash (Note 7)	1,260	1,473
Assets held for disposal (Note 23)	20,439	18,811
	43,390	52,731
PROPERTY, PLANT AND EQUIPMENT (Note 8)	9,080	10,103
INTANGIBLE AND OTHER ASSETS (Note 9)	441	1,050
INVESTMENT IN JOINT VENTURE (Note 10)	3,368	-
GOODWILL (Note 11)	5,494	5,787
ASSETS HELD FOR DISPOSAL (Note 23)	1,267	12,415
	$ 63,040	$ 82,086
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 5,648	$ 8,496
Current portion of notes payable (Note 13)	12,346	1,102
Deferred revenue	181	272
Liabilities related to assets held for disposal (Note 23)	23,820	11,624
	41,995	21,494
NOTES PAYABLE (Note 13)	8,143	4,040
FUTURE INCOME TAX LIABILITY (Note 14)	1,911	2,406
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL (Note 23)	1,401	1,382
	53,450	29,322
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	231,408	170,269
Contributed surplus (Note 15)	12,511	10,399
Accumulated other comprehensive (loss) income	(411)	3,898
Deficit	(233,918)	(131,802)
	9,590	52,764
	$ 63,040	$ 82,086

GOING CONCERN (Note 1)

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD

"R. Stephen Bower"
Director

"Arvind Chhatbar"
Director

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Loss, Other Comprehensive Loss and Comprehensive Loss
(In thousands of Canadian dollars and shares except per share data)

		Fourteen months ended June 30, 2011		Twelve months ended April 30, 2010
REVENUES	$	35,300	$	23,448
Cost of revenues, includes amortization of $1,954 (2010 – $1,570)		25,668		18,493
Gross margin		9,632		4,955
Operating expenses				
Research and development		6,458		5,847
Sales and marketing		1,743		1,626
General and administration		6,988		5,315
Stock-based compensation (Note 15)		2,106		1,436
Amortization of property, plant and equipment		896		1,592
Amortization of intangible assets		561		780
Restructuring charges (Note 17)		1,429		1,750
		20,181		18,346
OPERATING LOSS		(10,549)		(13,391)
Other income (expense)				
Interest and other income		45		34
Interest expense		(1,045)		(277)
Impairment of intangible assets (Note 9)		-		(1,580)
Gain on disposal of equipment		1		42
Foreign exchange gain		818		101
LOSS BEFORE INCOME TAXES		(10,730)		(15,071)
FUTURE INCOME TAX RECOVERY		(582)		(595)
NET LOSS FROM CONTINUING OPERATIONS		(10,148)		(14,476)
NET LOSS FROM DISCONTINUED OPERATIONS (Note 23)		(91,968)		(18,098)
NET LOSS		(102,116)		(32,574)
OTHER COMPREHENSIVE LOSS				
Unrealized loss on translating financial statements of self-sustaining foreign operations		(4,309)		(6,513)
COMPREHENSIVE LOSS	$	(106,425)	$	(39,087)
Net loss per share (Note 16) Basic and diluted				
Continuing Operations	$	(0.03)	$	(0.05)
Discontinued Operations		(0.23)		(0.07)
Net loss per share Basic and diluted	$	(0.26)	$	(0.12)
Weighted average number of outstanding shares (Note 16)				
Basic and diluted		400,845		270,084

See accompanying notes to the financial statements

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Shareholders' Equity
(In thousands of Canadian dollars and shares)

	Number of shares		Share capital (Note 15)		Contributed surplus		Accumulated other comprehensive income (loss)		Deficit		Share-holders' equity
Fourteen months ended June 30, 2011											
Balance at April 30, 2010	327,175	$	170,269	$	10,399	$	3,898	$	(131,802)	$	52,764
Stock-based compensation	-		-		2,106		-		-		2,106
Exercise of options	949		493		(142)		-		-		351
Exercise of warrants	1,390		713		(296)		-		-		417
Issuance of common shares (Note 15)	82,100		29,615		-		-		-		29,615
Fair value of warrants issued (Note 15)	-		(444)		444		-		-		-
Issuance of common shares on acquisition of Teledata Networks Ltd. (Note 24)	54,932		30,762		-		-		-		30,762
Net loss	-		-		-		-		(102,116)		(102,116)
Unrealized loss on translation of self-sustaining foreign operations	-		-		-		(4,309)		-		(4,309)
Balance at June 30, 2011	466,546		231,408		12,511		(411)		(233,918)		9,590
Twelve months ended April 30, 2010											
Balance at April 30, 2009	208,527	$	131,128	$	8,200	$	10,411	$	(99,228)	$	50,511
Stock-based compensation	-		-		1,436		-		-		1,436
Exercise of options	75		35		-		-		-		35
Exercise of warrants	738		400		(162)		-		-		238
Issuance of common shares (Note 15)	117,875		39,699		-		-		-		39,699
Fair value of warrants issued (Note (15)	-		(925)		925		-		-		-
Cancellation of shares	(40)		(68)		-		-		-		(68)
Net loss	-		-		-		-		(32,574)		(32,574)
Unrealized loss on translation of self-sustaining foreign operations	-		-		-		(6,513)		-		(6,513)
Balance at April 30, 2010	**327,175**	**$**	**170,269**	**$**	**10,399**	**$**	**3,898**	**$**	**(131,802)**	**$**	**52,764**

See accompanying notes to the consolidated financial statements

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

	Fourteen months ended June 30, 2011	Twelve months ended April 30, 2010
Operating activities		
Net loss	$ (102,116)	$ (32,574)
Loss from discontinued operations	91,968	18,098
Items not affecting cash:		
Amortization of plant and equipment and intangible assets	3,411	3,942
Stock-based compensation	2,106	1,436
Unrealized foreign exchange gain	(893)	(532)
Gain on disposal of equipment	-	(42)
Future income tax recovery	(582)	(595)
Impairment of intangibles	-	1,580
	(6,106)	(8,687)
Changes in non-cash working capital items (Note 22)	(4,008)	1,489
Cash used in operating activities – continuing operations	(10,114)	(7,198)
Cash used in operating activities – discontinued operations	(21,768)	(14,846)
Cash used in operating activities	(31,882)	(22,044)
Investing activities		
Decrease (Increase) in restricted cash	213	(1,448)
Purchase of property, plant and equipment	(1,584)	(1,222)
Purchase of intangibles	(44)	-
Proceeds from sale of equipment	1	49
Investment in Joint Venture (Note 10)	(3,368)	-
Cash used in investing activities – continuing operations	(4,782)	(2,621)
Cash used in investing activities – discontinued operations	(10,841)	(311)
Cash used in investing activities	(15,623)	(2,932)
Financing activities		
Repayment of bank indebtedness	-	(780)
Advance from (repayment of) notes payable	5,961	(1,097)
Proceeds from issuance of common shares, warrants and options, net of issuance costs (Note 15)	30,383	39,971
Cash provided by financing activities – continuing operations	36,344	38,094
Cash provided by financing activities	36,344	38,094
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS	(742)	(1,214)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,903)	11,904
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	23,407	11,503
CASH AND CASH EQUIVALENTS, END OF PERIOD	11,504	23,407
Less cash and equivalents of discontinued operations at end of period	(1,469)	(1,309)
CASH AND CASH EQUIVALENTS, END OF PERIOD – CONTINUING OPERATIONS	$ 10,035	$ $ 22,098
Non-cash financing activities		
Issuance of common shares on acquisition of subsidiaries (Note 24)	$ 30,762	$ -
Supplementary information:		
Interest received in cash	$ 45	$ 30
Interest paid in cash	480	275
Cash	$ 10,015	$ 22,487
Cash equivalents (guaranteed investment certificates)	20	920
Total cash and equivalents, excluding restricted cash	$ 10,035	$ $ 23,407

See accompanying notes to the consolidated financial statements

1. GOING CONCERN

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and on the basis of accounting principles applicable to a going concern. This assumes that Enablence Technologies Inc. ("the Company" or "Enablence") will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At June 30, 2011, the Company had cash of $10,035 (not including $1,469 held in discontinued operations) and it used $31,882 on its operations (including $21,768 in discontinued operations) for the fourteen month period ended June 30, 2011, and as of that date, the Company had an accumulated deficit of $233,918, as the Company has sustained significant losses since its inception. The Company has announced its intention to divest of its Systems segment (Note 23), in part due to the cash required to fund that business segment. A portion of the Systems segment was sold subsequent to year-end (Note 25)

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the divestiture of its Systems segment, the ability to generate positive cash flow from its remaining business, and the ability to pay its US$ 10,000 Notes Payable on maturity in June 2012. There is substantial risk in the divestiture plans of the Systems segment.

If the going concern assumption was not appropriate for these financial statements, significant adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications would result. These adjustments would be material.

2. DESCRIPTION OF BUSINESS

Enablence is a publicly traded company that designs, manufactures and sells optical components and subsystems for access, metro and long-haul markets to a global customer base. The Company's product lines address all three segments of optical networks: Access, connecting homes and businesses to the network; Metro, communication rings within large cities; and Long-haul, linking cities and continents.

In June 2010, the Company acquired Teledata Networks Ltd. ("Teledata"). Teledata, headquartered in Israel, offers high speed broadband multi-service access platform ("MSAP") equipment to customers in emerging markets. On April 28, 2011, the Company announced that it had initiated a plan to divest of the Company's Systems segment, including the Teledata business (Note 24).

3. 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 Enablence Switzerland AG, Enablence USA Components Inc., Enablence Technologies USA Inc. and Enablence Canada Inc. Discontinued operations are comprised of its wholly-owned subsidiaries Enablence USA FTTx Networks, Inc. and Enablence Systems Inc. (North America); as well as Teledata Networks Ltd. (Israel) TDN Networks B.V. (Netherlands), Telsul Teledata Telecomunicases S.A. (Brazil), TDN Telecomunicaoes Brazil S.A. (Brazil). All intercompany transactions have been eliminated on consolidation.

Change in year end

Effective May 1, 2010, the Company changed its fiscal year end from April 30 to June 30. The current fiscal year of the Company covers the fourteen month period from May 1, 2010 to June 30, 2011. The Company is reporting, or has reported, its results for the following five periods in its fiscal 2011 year: two months ended June 30, 2010; quarters ended September 30, 2010, December 31, 2010 and March 31, 2011, and the fourteen months ending June 30, 2011. The change in Enablence's year end was due, in part, to align to the fiscal year of Teledata.

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 certain 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 the products. 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) has 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 the Company's control.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

Revenue is deferred when payment is received for services not rendered and is recognized 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 or service 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.

Restricted cash

Restricted cash represents cash provided to support letters of credit outstanding and to support certain of the Company's credit facilities and notes payable.

Inventories

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average method. Reserves are taken for excess and obsolete inventory and for reduction in the carrying value of inventory to reflect realizable value based on current cost, production and sales estimates.

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 loss carryforwards and 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 only 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost. All assets are amortized using the straight-line method. Amortization is calculated over the anticipated useful lives of the assets as follows:

Asset class	*Amortization term*
Machinery and equipment	3 to 7 years
Lab equipment and tooling	3 years
Photomasks	3 years
Computer equipment	3 to 5 years
Office furniture and equipment	3 and 5 years
Leasehold improvements	Lesser of 10 years or term of lease

Intangible assets

Intangible assets consist of intellectual property, customer relationships, brand names, patents and software. Costs incurred to acquire patents are recorded at cost and amortized over ten years, the expected useful life of the patents. Software is recorded at cost and amortized using the straight-line method over an estimated useful life of 3 years.

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 three to five years based on their expected future life.

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 9).

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 in a business combination. Goodwill is not amortized and is tested for impairment annually, in the third quarter of each fiscal year (see Note 11).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 part of accumulated other comprehensive income (loss).

Financial instruments

The Company classifies its financial instruments as held-for-trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and management's intent. Management determines the classification of financial assets and liabilities at initial recognition. The Company has designated its cash and cash equivalents and restricted cash as held-for-trading which are measured at fair value with changes in fair value being recorded in net loss.

Accounts receivable are designated as loans and receivables. Accounts payable, accrued liabilities and notes payable are designated as other financial liabilities. Both loans and receivables and other financial liabilities are measured at amortized cost.

Transaction costs related to 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Royalty-bearing grants from the Government of Israel for approved research and development projects are recognized at the time the Company is entitled to such grants, on the basis of the costs incurred. Such grants are included as a deduction of research and development costs. Government Grants relate to the Systems segment, and therefore are included in discontinued operations.

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, the carrying values of intangible assets and goodwill and purchase price allocations on acquisitions.

Stock-based compensation

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. Consideration paid by employees on the exercise of stock options is recorded as share capital and the related stock-based compensation is transferred from contributed surplus to share capital.

Joint Venture

During the year, the Company made an investment in a joint venture named Foshan Sunsea-Enablence Optoelectronics Technology Co., Ltd (the “China JV”). Once the Company completes its requirements (providing certain capital equipment, intellectual property and know-how) for the joint venture, the Company will own 49% of the China JV, and will use the proportionate consolidation method to account for its interest in the China JV, as it has joint control over the financing and operating activities of the entity. The Company determines joint control when there is existence of a contractual agreement to share continuing power with other participating parties to determine strategic operating, investing, and financing activities of the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Future Benefits

The Company's liability for severance pay with respect to its Israel employees is calculated pursuant to Israeli Severance Pay Law and employee agreements based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or a portion thereof. The Company's has made monthly deposits with insurance companies' pension funds to fund this liability for its Israeli employees. Any underfunded amounts of this liability are recorded in liabilities related to assets held for disposal.

The deposited funds may be withdrawn only upon the fulfillment of the obligations pursuant to Israeli Severance Pay Law or labour agreements. The value of the deposited funds is based on the cash surrendered value of these policies.

Employee Future Benefits relate to the Systems segment, and therefore are included in discontinued operations.

Discontinued Operations

Long-lived assets are classified as held for sale when specific criteria are met, in accordance with CICA 3475, Disposal of Long-lived Assets and Discontinued Operations. Assets held for sale are measured at the lower of their carrying amounts and fair values less costs to dispose and are no longer amortized. Long-lived assets classified as held for sale are reported separately on the balance sheet.

A component of the Company held for sale or disposed of by other than sale is reported as a discontinued operation if the operations and the cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Company will not have a significant continuing involvement in the operations after the disposal transaction.

4. FUTURE CHANGES IN ACCOUNTING POLICY

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board confirmed that the use of IFRS will be required for fiscal years beginning on or after January 1, 2011, for publicly accountable profit orientated enterprises. The Company will adopt IFRS with a transition date of May 1, 2010 and is required to report using the IFRS standards effective for interim and annual financial statements related to fiscal years beginning on or after July 1, 2011.

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

5. ACCOUNTS RECEIVABLE

	June 30, 2011	April 30, 2010
Trade	$ 5,796	$ 5,038
Other	86	102
Allowance for doubtful accounts	(164)	(100)
	$ 5,718	$ 5,040

6. INVENTORIES

	June 30, 2011	April 30, 2010
Raw materials	$ 3,774	$ 2,676
Work-in-progress	1,279	1,172
Finished goods	397	277
Allowance for excess and obsolescence	(89)	(16)
	$ 5,361	$ 4,109

7. RESTRICTED CASH

Restricted cash represents cash that has been provided as security against guarantees and outstanding letters of credit. Also included in restricted cash is $1,157 that is collateral for a secured note payable.

8. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2011		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	$ 13,717	$ 6,228	$ 7,489
Lab equipment and tooling	3,020	2,505	515
Photomasks	752	333	419
Computer equipment	173	95	78
Office furniture and equipment	373	239	134
Leasehold improvements	578	133	445
	$ 18,613	$ 9,533	$ 9,080

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

	April 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	$ 13,246	$ 4,438	$ 8,808
Lab equipment and tooling	2,481	1,951	530
Photomasks	560	206	354
Computer equipment	172	47	125
Office furniture and equipment	342	202	140
Leasehold improvements	238	92	146
	$ 17,039	$ 6,936	$ 10,103

9. INTANGIBLE ASSETS

	June 30, 2011			
	Cost	Accumulated Amortization	Cumulative Impairments	Net Book Value
Intellectual property	$ 14,183	$ 1,506	$ 12,677	$ -
Customer relationships	10,234	332	9,902	-
Software	279	128	-	151
Brand name	1,712	12	1,700	-
Other assets	165	79	-	86
Patents	399	195	-	204
	$ 26,972	$ 2,252	$ 24,279	$ 441

	April 30, 2010			
	Cost	Accumulated Amortization	Cumulative Impairments	Net Book Value
Intellectual property	$ 14,183	$ 1,176	$ 12,677	$ 330
Customer relationships	10,234	137	9,902	195
Software	219	61	-	158
Brand name	1,712	12	1,700	-
Other assets	169	53	-	116
Patents	399	148	-	251
	$ 26,916	$ 1,587	$ 24,279	$ 1,050

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 fourteen months ended June 30, 2011, the Company recorded impairment losses for the continuing operations of $nil (2010 - $1,580).

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

10. JOINT VENTURE

Enablence is expanding with its investment in a joint venture that will operate in China named Foshan Sunsea-Enablence Optoelectronics Technology Co., Ltd (the "China JV"). The China JV Partner will own 51% of the China JV, and Enablence will own a 49% interest. The China JV will develop, manufacture and sell optical components based in part on Enablence's PLC technology.
The initial investments by the China JV partners are as follows:

- US$9,180 by the JV Partner, all in cash
- US$8,820 by Enablence, comprising:
    - o US$3,500 in cash
    - o US$1,000 of capital equipment
    - o US$4,320 in intellectual property and know-how

On May 12, 2011, the Company paid the initial investment in the China JV, through its contribution of $3,368 (US$3,500).

At June 30, 2011, the Company has not delivered the capital equipment or intellectual property and know-how required to finalize the China JV agreement. As a result, the cash investment made by the Company as at June 30, 2011 has been recorded at cost, and the joint venture has not been proportionally consolidated. Once the transfer of capital equipment and intellectual property is completed, Enablence expects to account for the China JV using the proportional consolidation method, whereby Enablence will include 49% of the China JV's results from operations and balance sheet in its consolidated financial statements.

11. GOODWILL

	Fourteen months ended June 30, 2011	Year ended April 30, 2010
Balance, beginning of period	$ 5,787	$ 6,796
Impact of changes in foreign exchange rates	(293)	(1,009)
Balance, end of period	$ 5,494	$ 5,787

Goodwill is tested at the conclusion of the third quarter of each fiscal year or if factors indicative of impairment are present. As such, the Company performed a review of the carrying value of goodwill. During the year ended June 30, 2011, the Company recorded impairment losses for continuing operations of $nil (2010 - $nil).

12. LINE OF CREDIT

The Company has a US$1,000 line of credit, undrawn at June 30, 2011, which is subject to certain limitations based on accounts receivable balances. The interest rate, based on the Wall Street Journal prime rate plus 1.50%, resulted in an interest rate of 4.75% at June 30, 2011. The note is secured by the assets of one of the subsidiaries of the Company. The Company has not drawn any amount of this line of credit as at June 30, 2011.

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

13. NOTES PAYABLE

	June 30, 2011	April 30, 2010
Secured note 1 (a)	$ 4,063	$ 2,095
Secured note 2 (b)	3,376	-
5% Subordinated notes (c)	10,156	-
5% Convertible notes (d)	2,894	3,047
	20,489	5,142
Less: current portion	(12,346)	(1,102)
Net long-term portion	$ 8,143	$ 4,040

(a) On July 16, 2010, a secured note payable, with a principal of US$1,879 at the time of redemption, was repaid from the proceeds of a new US$5,000 secured note. The new secured note of US$5,000 has a maturity date of July 20, 2013. The interest rate, based on the Wall Street Journal prime rate plus 1.50%, resulted in an interest rate of 4.75% at June 30, 2011. The note is repayable as interest only for the first six months, then monthly payments of US$181 per month for interest and principal thereafter. The note is secured by the assets of Enablence USA Components Inc. and is subject to certain financial performance and asset coverage covenants of the subsidiary.

(b) On May 10, 2011, Enablence finalized a note payable with a U.S. bank, with a principal amount of US$3,500, secured by US$1,200 cash on deposit and a lien on the shares in the Company's investment in the China JV. The note has a maturity date of April 20, 2016 and an interest rate at the greater of 5.5% and Wall Street Journal Prime Rate plus 1.5%. The note is repayable as interest only for the first twelve months, then interest and principal amortized over the remaining term of the loan. As partial consideration for the loan, the Company issued to the bank warrants to purchase up to 400,000 common shares of Enablence, at an exercise price of $0.22 per share, expiring April 9, 2013.

(c) Subordinated notes, with a principal amount of US$10,000, are secured by a subordinated lien on the Company's North American assets. The notes have a maturity date of June 23, 2012 and an interest rate of 5%. Principal and interest are payable at maturity.

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

13. NOTES PAYABLE (Continued)

(d) Convertible notes, with a principal amount of US$3,000, are unsecured and bear interest at a rate of 5% and mature on November 19, 2018. The notes were issued on November 19, 2008. For the first 36 months, monthly payments of interest only are made. These 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 notes can also be converted in the event of a default of payment.

The Company has recorded the entire value of the convertible notes as debt as the Company has determined there was no value associated with the equity component.

14. 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:

Recovery of Income Taxes		**June 30, 2011**		April 30, 2010
Loss before income taxes	$	(10,730)	$	(15,071)
Statutory rate		29.64%		32.67%
Expected tax recovery	$	(3,180)	$	(4,924)
Permanent differences		630		475
Decrease in tax rates		-		1,103
Changes in foreign exchange rates		-		58
Foreign tax rate differential and other		(658)		1,065
Change in valuation allowance, excluding foreign exchange		2,626		1,628
Income tax recovery	$	(582)	$	(595)

Future income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's estimated future tax assets and liabilities are as follows:

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

14. INCOME TAXES AND INVESTMENT TAX CREDITS (Continued)

Future income tax asset (liability)		**June 30, 2011**		April 30, 2010
Tax losses carried forward	$	14,890	$	12,730
Research and development expenditures		2,659		2,987
Deductible share issuance costs		884		1,091
Depreciable property, plant and equipment		30		12
Intangible assets		-		413
Other accruals		1,733		523
		20,196		17,756
Less: valuation allowance		(20,153)		(17,528)
Future tax assets		43		228
Intangibles		(34)		-
Depreciable property, plant and equipment		(1,920)		(2,634)
Net future tax liability	$	(1,911)	$	(2,406)

In 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 be realized. The realization of future tax assets is dependent on the generation of future taxable income during the periods in which those losses can be carried forward and temporary differences are deductible. 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.

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

14. INCOME TAXES AND INVESTMENT TAX CREDITS (Continued)

At June 30, 2011, 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, as follows:

	Tax Losses and Credits				
Expiry	Total	Canada	US	Investment Tax Credits	Federal SR&ED Deductions
2014	$ 708	$ 708	$ -	$ -	$ -
2015	507	507	-	-	-
2020	-	-	-	-	-
2021	-	-	-	-	-
2022	1,660	-	1,660	-	-
2023	1,720	-	1,720	-	-
2024	1,636	-	1,636	-	-
2025	651	-	651	-	-
2026	1,897	325	1,572	1	-
2027	4,338	2,585	1,753	618	-
2028	4,860	3,671	1,189	937	-
2029	11,394	5,058	6,336	656	-
2030	8,071	5,248	2,823	604	-
2031	7,974	3,749	4,225	447	-
Indefinite carry-forward	-	-	-	-	13,903
	$ 45,416	$ 21,851	$ 23,565	$ 3,263	$ 13,903

* Included in foreign operating tax losses of $23,565 and $8,994 of pre-acquisition net operating losses which are subject to annual limitations under Section 382 of the Internal Revenue Code of the United States. During the next 5 years the Company expects that it will be limited to using approximately $972 per year in US tax losses, based on current conditions and expectations.

15. SHARE CAPITAL

On May 5, 2011, Enablence completed a private placement of 45,500 common shares at a price of $0.22 per share for net cash proceeds of $9,908 (gross proceeds of $10,010).

On December 6, 2010, Enablence completed a public offering of 36,600 common shares at a price of $0.58 per share for net cash proceeds of $19,707 (gross proceeds of $21,228). As partial compensation for this transaction, 1,464 broker warrants were issued, entitling the holder of each warrant to purchase one common share at a price of $0.58 per share to December 5, 2012. The warrants were valued at $404 and recorded

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

15. SHARE CAPITAL (Continued)

as a non-cash issuance cost. The fair value was determined using the Black-Scholes model.

On February 4, 2010, the Company completed a public offering of 71,875 common shares at a price of $0.40 per share for net proceeds of $26,772 (gross proceeds of $28,750). As partial compensation for this transaction, 2,875 broker warrants were issued entitling the holder of each warrant to purchase one common share per warrant at a price of $0.40 per share until August 4, 2011. The warrants were valued at $529 and recorded as a non-cash issuance cost. The fair value was determined using the Black-Scholes model.

On May 12, 2009, Enablence completed a public offering of 46,000 common shares at a price of $0.30 per share for net proceeds of $12,927 (gross proceeds of $13,800) . As partial compensation for this transaction, 1,840 broker warrants were issued entitling the holder of each warrant to purchase one common share at a price of $0.30 per share to November 12, 2010. The warrants were valued at $396 and recorded as a non-cash issuance cost. The fair value was determined using the Black-Scholes model. All 1,840 of the warrants were exercised, for cash proceeds of $552, prior to November 12, 2010.

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:

On May 11, 2011, as part of the US$3.5 million note payable (Note 13), the Company granted warrants to acquire up to 400,000 common shares of the Company, at a price of $0.22 per share, expiring April 9, 2013. These warrants were valued at $40. The fair value was determined using the Black-Scholes model.

	Fourteen months ended June 30, 2011		Twelve months ended April 30, 2010	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding and exercisable, beginning of period	3,977	$ 0.37	-	$ -
Issued	1,864	0.50	4,715	0.36
Exercised	(1,390)	0.30	(738)	0.34
Outstanding, and exercisable end of period	4,451	0.44	3,977	$ 0.37

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

15. SHARE CAPITAL (Continued)

The following table summarizes information for warrants outstanding:

Exercise price per share	Expiry	June 30, 2011	April 30, 2010
$ 0.30	November 12, 2010	-	1,390
$ 0.40	August 4, 2011	2,587	2,587
$ 0.58	December 5, 2012	1,464	-
$ 0.22	April 9, 2013	400	-
		4,451	3,977

Stock option plan

The Company has established a stock option plan available for directors, officers, employees and consultants, and authorized a stock option pool equal to 10% of the outstanding common shares. As at June 30, 2011, the option pool was 46,655. 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 March 18, 2008 all vested prior to September 30, 2009 in accordance with the terms of their grant. Options granted on or after March 18, 2008 generally vest in four equal annual portions starting one year after the date of grant. All options expire on the 10th anniversary of the grant or 90 days after termination of employment. Options granted to directors vest over a two year period.

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

	Fourteen months ended June 30, 2011		Twelve months ended April 30, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	19,213	$ 0.84	17,299	$ 0.93
Granted	14,430	0.60	4,050	0.58
Exercised	(950)	0.37	-	-
Forfeited	(3,304)	0.70	(2,061)	0.82
Expired	(702)	1.05	(75)	0.30
Outstanding, end of period	28,687	$0.74	19,213	$ 0.84
Exercisable, end of period	12,479	$0.89	12,039	$ 0.87

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

15. SHARE CAPITAL (Continued)

The following table summarizes the options outstanding and exercisable as at June 30, 2011:

Options Outstanding			Options Exercisable	
Exercise Price ($)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Exercise Price ($)
$ 0.30	755	7.17	393	$ 0.30
0.37	2,904	5.07	2,904	0.37
0.44	150	9.62	-	0.44
0.445	300	9.62	-	0.445
0.49	1,000	8.51	250	0.49
0.50	3,499	6.50	2,673	0.50
0.60	11,060	9.21	50	0.60
0.67	700	9.27	-	0.67
0.72	1,500	8.81	375	0.72
0.80	2,595	5.69	2,595	0.80
1.15	1,899	6.87	983	1.15
1.37	300	5.73	300	1.37
2.30	1,750	6.61	1,750	2.30
2.39	275	6.19	206	2.39
$ 0.74	28,687	7.67	12,479	$ 0.89

Under the fair value method, the Company calculates the fair value of stock option grants at the date of grant, 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:

	Jun. 30, 2011	April 30, 2010
Risk-free interest rate	1.99 – 2.78%	1.17 – 3.19%
Expected life of options (years)	5	5
Expected annualized volatility	108 – 111%	77 – 94%
Expected dividend yield	nil	nil

During the fourteen-month period ended June 30, 2011, stock-based compensation expense was $2,106 (twelve months ended April 30, 2010 - $1,436). Stock-based compensation is recorded as an increase to contributed surplus and transferred to share capital when the underlying options are exercised. Grant date fair value of options issued during the fourteen months ended June 30, 2011 was $6,421 (twelve months ended April 31, 2010 - $1,706).

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

16. 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 a result of the net losses in each of the reporting periods, the potential effect of the exercise of stock options and warrants was anti-dilutive; therefore, 33,138 potentially dilutive shares at June 30, 2011 (April 30, 2010 – 23,190) have not been included in the calculation of diluted loss per common share for the fourteen months ended June 30, 2011 and the twelve months ended April 30, 2010.

17. RESTRUCTURING CHARGES

During the fourteen months ended June 30, 2011, the Company continued its restructuring activities in an effort to reduce costs and improve operating efficiencies. The restructuring charges consist of severance and benefits related to the reduction of the Company's workforce and the relocation of its Wilmington, Massachusetts operations to its Fremont, California location.

During the fourteen months ended June 30, 2011, the Company recorded $1,429 in restructuring costs (twelve months ended April 30, 2010 - $1,750). Included in accrued liabilities at June 30, 2011 is $231 related to restructuring charges (April 30, 2010 – $1,750) which are expected to be substantially paid out in cash in the quarter ending September 30, 2011.

18. FINANCIAL INSTRUMENTS

Carrying values and fair values

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.

	June 30, 2011	April 30, 2010
Held for trading assets (1)	$ 11,295	$ 23,571
Loans and receivables (2)	5,718	5,040
Other financial liabilities (3)	26,317	13,638

(1) Includes cash and cash equivalents and restricted cash
(2) Includes accounts receivable
(3) Includes accounts payable and accrued liabilities and notes payable

18. FINANCIAL INSTRUMENTS (Continued)

Carrying values and fair values (Continued)

CICA Section 3862 Financial Instruments - Disclosures requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

The financial assets and liabilities measured at fair value on the balance sheet consist of items classified as current and are amounts that are generally expected to be settled within one year. There are three levels of the fair value hierarchy as follows:

Level 1: Values based upon unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based upon quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based upon prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table presents the financial instruments recorded at fair value in the Consolidated Balance Sheet, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	Total financial assets and liabilities at fair value
Financial assets				
Cash and cash equivalents	$ 10,035	$ -	$ -	$ 10,035
Restricted cash	1,260	-	-	1,260
Total financial assets	$ 11,295	$ -	$ -	$ 11,295

The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short term maturity of these financial instruments.

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

18. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents, restricted cash and accounts 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. Two customers accounted for approximately 46% of the accounts receivable balance at June 30, 2011 (24% and 22% individually). As at April 30, 2010 three customers accounted for approximately 53% of the accounts receivable balance (20%, 20% and 13% individually).

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

The allowance for doubtful accounts is 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 to be not collectible.

The ageing of trade accounts receivable (net of the allowance of $164 at June 30, 2011 and $100 at April 30, 2010) is summarized as follows:

	June 30, 2011	April 30, 2010
Current or under 60 days	$ 4,633	$ 4,244
Past due 61 to 90 days	203	461
Past due greater than 90 days	960	333
Total trade accounts receivable	$ 5,796	$ 5,038

Of the $1,163 of past due accounts receivable greater than 60 days at June 30 2011, $305 has been collected between June 30, 2011 and October 11, 2011.

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

18. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

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

	June 30, 2011	April 30, 2010
Balance, beginning of period	$ 100	$ 75
Increase during the period	64	25
Balance, end of period	$ 164	$ 100

Interest rate risk

The Company is exposed to interest rate risk as its U.S. dollar denominated notes payable have 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.

An increase in the interest rate of 1% would result in an increase in interest expense of $74 for the year.

Foreign currency risk

The Company operates internationally with subsidiaries in the United States, Israel and Switzerland and is therefore subject to foreign currency risk. Enablence reports its financial results in Canadian dollars. Most of the Company's revenues are based in U.S. currency, and the Company incurs expenses in U.S. dollars, the Israeli shekel and, to a lesser extent, the Swiss franc. 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.

	Fourteen months ended June 30, 2011		**Twelve months ended April 30, 2010**	
	Net loss	OCI	Net loss	OCI
US$	$ 222	$ 548	$ 561	$ 808
Swiss francs (CHF)	(103)	335	13	193

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

18. FINANCIAL INSTRUMENTS (Continued)

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.

At June 30, 2011, the Company has long-term financial liabilities, payments for which are due as follows including interest:

	To Jun. 30, 2012	To Jun. 30, 2013	To Jun. 30, 2014	To Jun. 30, 2015	Beyond Jun. 30, 2015	Total
Accounts payable and accrued liabilities	$ 5,648	$ -	$ -	$ -	$ -	$ 5,648
Secured notes	2,408	3,037	1,118	944	786	8,293
Subordinated notes	10,611	-	-	-	-	10,611
Convertible debt	417	535	514	493	1,496	3,455
Total	$ 19,084	$ 3,572	$ 1,632	$ 1,437	$ 2,282	$ 28,007

19. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain customer, supplier, 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 strengthen its capital structure, the Company's management believes it could issue new shares 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 period.

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

20. SEGMENTED INFORMATION

With the planned divestiture of certain operations (Discontinued Operations, note 23), the Company operates in one segment, Optical Components.

Certain assets are analyzed geographically as follows:

	June 30, 2011		April 30, 2010	
	Property, plant and equipment	Goodwill, intangible and other assets	Property, plant and equipment	Goodwill, intangible and other assets
United States	$ 5,564	$ 5,580	$ 6,802	$ 6,427
Switzerland	2,914	-	2,703	-
Canada	602	355	598	410
	$ 9,080	$ 5,935	$ 10,103	$ 6,837

Revenue is analyzed geographically as follows:

	Fourteen months ended June 30, 2011	Twelve months ended April 30, 2010
Americas	$ 15,081	$ 11,017
Asia Pacific	11,048	9,555
Europe, Middle East and Africa	9,171	2,876
	$ 35,300	$ 23,448

During the fourteen months ended June 30, 2011, three customers accounted for 49% of the Company's total revenue (23%, 14% and 12% individually) and three customers accounted for 40% of the Company's total revenue (17%, 12% and 11% individually) during the twelve months ended April 30, 2010.

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

21. COMMITMENTS

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

2012	$ 518
2013	540
2014	420
2015	339
2016	108
2017 and beyond	-
	$ 1,925

At June 30, 2011, the Company had a performance bond outstanding in the amount of US$2,850. This performance bond is secured by US$100 of restricted cash.

22. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Net change in non-cash operating working capital items:

	Fourteen months ended June 30, 2011	**Twelve months ended April 30, 2010**
Net inflow (outflow) of cash:		
Accounts receivable	$ (1,136)	$ (1,396)
Inventories	(1,424)	(592)
Prepaid expenses and deposits	620	13
Accounts payable and accrued liabilities	(1,991)	3,375
Deferred revenue	(77)	89
	$ (4,008)	$ 1,489

23. DISCONTINUED OPERATIONS

In April, 2011, the Company announced that it had begun an initiative to explore strategic alternatives to divest of the Systems segment, which may include the sale, partial sale or closure of the Systems segment. The Systems segment manufactures and sells fiber-to-the-home (“FTTH”) equipment and multi-service access platforms (“MSAP”) for triple-play residential and business services that enable voice, data, video and internet communications across both copper and fiber-based network infrastructures.

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

23. DISCONTINUED OPERATIONS (Continued)

The Company's decision to divest the Systems segment was driven by the estimated cash requirements to complete the development and initial supply of key products in Systems' product roadmap and build its revenue to a predictable and cash positive level. Fluctuations in Systems' revenue level has consumed a significant amount of the Company's cash resources. Enablence management further concluded that the synergy and integration opportunities between Components and the Systems segment were not as significant as previously anticipated, and were no longer strategic.

On September 15, 2011, the Company completed the sale of the major parts of its US-based Systems segment, and continues to explore options for the remaining elements, particularly the Teledata business in Israel.

The assets and liabilities related to the Systems segment have been reclassified as assets or liabilities held for disposal on the consolidated balance sheets. Operating results related to these assets and liabilities have been included in income from discontinued operations on the consolidated statements of loss. Comparative period balances have been restated.

The following table presents selected financial information related to discontinued operations:

	June 30, 2011	April 30, 2010
Assets		
Current Assets of Discontinued Operations		
Cash and cash equivalents	$ 1,469	$ 1,309
Accounts receivable	6,629	6,667
Inventories	9,296	9,645
Prepaid expenses and deposits	512	1,117
Restricted cash	2,533	73
	20,439	18,811
PROPERTY, PLANT AND EQUIPMENT	1,267	479
INTANGIBLES AND OTHER ASSETS	-	3,677
GOODWILL	-	8,259
	1,267	12,415
Total Assets Held for Disposal	$ 21,706	$ 31,226
Liabilities		
Current Liabilities of Discontinued Operations		
Accounts payable and accrued liabilities	$ 22,594	$ 5,748
Deferred Revenues	1,226	5,876
	23,820	11,624
EMPLOYEE FUTURE BENEFITS	1,401	1,382
	1,401	1,382
Total Liabilities Held for Disposal	$ 25,221	$ 13,006

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

23. DISCONTINUED OPERATIONS (Continued)

	June 30, 2011	April 30, 2010
Revenues	$ 63,216	$ 30,444
Cost of revenues	47,148	23,958
Gross margin	16,068	6,486
R&D, marketing, administration	36,816	19,153
Impairment charges	60,010	2,775
Restructuring charges	7,389	537
Interest and foreign exchange	497	-
Amortization	12,978	4,661
Future income tax recovery	(9,654)	(2,542)
Net loss from discontinued operations	$ (91,968)	$ (18,098)

As at June 30, 2011, the Systems segment had $489,000 of foreign non-capital tax losses available for carry-forward. $217,000 of these losses were generated in the United States subsidiaries, and $170,000 of these United States losses are pre-acquisition losses which are subject to annual limitations under section 382 of the Internal Revenue Code of the United States.

Subsequent to the year-end, the Company completed the sale of part of the US Systems segment in two separate sales. (See note 25)

24. ACQUISITION OF TELEDATA

On June 23, 2010, the Company completed its acquisition of all the shares of Teledata, a high-speed broadband equipment provider based in Israel. The acquisition was accounted for by the purchase method, whereby the results of the operations of Teledata are included in the consolidated statements of loss, other comprehensive loss and comprehensive loss and cash flows since the acquisition date. The net purchase price of $52,143 was allocated based on the estimated fair values of the identifiable assets and liabilities acquired. U.S. dollar amounts were converted to Canadian dollars using the exchange rate of 1.0384 as at June 23, 2010.

Teledata is included in the Discontinued Operations.

Purchase Price

Cash	$ 10,384
Issuance of 54,932 common shares	30,762
U.S. $10,000 of 5% subordinated secured notes (Note 9)	10,384
Estimated transaction costs incurred to date	613
	$ 52,143

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

24. ACQUISITION OF TELEDATA (Continued)

The allocation of the purchase price was:

Cash		$ 1,477
Accounts receivable		9,724
Inventory		5,165
Prepaid expenses and deposits		2,066
Accounts payable and accrued liabilities		(25,089)
Other payable		(3,738)
Net working capital acquired		(10,395)
Property and equipment		967
Restricted cash		5,828
Intangible assets		
Customer relationships	15,970	
Technology	14,915	
Trade name	2,595	
Non-compete agreement	155	
		33,635
Goodwill		30,516
Future tax liability		(8,408)
Total purchase price		$ 52,143

Cash issued as part of purchase price	$ 10,384
Cash costs of closing	613
Less: Cash acquired	(1,477)
Cash portion of acquisition	$ 9,520

The intangible assets of the acquisition were included in the Company's annual review of intangible assets in the Company's fiscal third quarter, and again subsequent to the announced intention to divest of the systems division. Based upon these reviews, the intangible assets and the goodwill associated with the acquisition of Teledata have been written off to $nil.

25. SUBSEQUENT EVENTS

On September 15, 2011, the company completed the sale of parts of the US Systems division in two transactions.

Enablence sold the Trident7™ Universal Access Platform for delivery of FTTP services through optical networks, for certain assets valued at US$5,100, which comprised of US$2,000 of cash, with an additional US$750 being held back, and the assumption of certain liabilities and contingent liabilities. Also included in the sale are related inventory, certain patents, certain product and process technology and customer contracts and lists. Under terms of the purchase agreement, Aurora will honour customer contracts and agreements for the Trident7 and its related product lines. Subject to certain working capital adjustments, the US$750 hold back is to be paid US$500k in March 2012, and US$250 in October 2012.

Enablence sold the MAGNM FX™ product line, by divesting certain assets, including $180 of cash, and transferring related warranty obligations, totalling $440.