Consolidated Financial Statements of

ENABLENCE TECHNOLOGIES INC.

For the three and six months ended October 31, 2009 and 2008
(Unaudited)

ENABLENCE TECHNOLOGIES INC.
Consolidated Financial Statements
October 31, 2009 and 2008

ENABLENCE TECHNOLOGIES INC.
Consolidated Balance Sheets
(Unaudited)

(Cdn $ in thousands)

	October 31, 2009	April 30, 2009
CURRENT ASSETS		
Cash and cash equivalents	$ 11,296	$ 11,503
Restricted cash	103	111
Accounts receivable (Note 4)	12,260	11,439
Investment tax credits receivable	-	197
Inventories (Note 5)	18,363	19,941
Prepaid expenses	2,099	2,398
	44,121	45,589
PLANT AND EQUIPMENT	12,320	14,271
OTHER ASSETS	140	154
INTANGIBLE ASSETS	11,469	16,066
GOODWILL	14,960	16,496
	$ 83,010	$ 92,576
CURRENT LIABILITIES		
Operating line of credit	$ -	$ 864
Accounts payable and accrued liabilities	17,401	15,843
Deferred revenue	6,806	9,862
Current portion of note payable	1,210	1,331
	25,417	27,900
NOTE PAYABLE	1,609	2,524
CONVERTIBLE NOTE	3,246	3,579
FUTURE INCOME TAX LIABILITY	6,185	8,062
	11,040	42,065
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	143,765	131,128
Contributed surplus	9,381	8,200
Accumulated other comprehensive income	6,187	10,411
Deficit	(112,780)	(99,228)
	46,553	50,511
	$ 83,010	$ 92,576

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD

____“”____ Director

____“”____ Director

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Loss, Other Comprehensive Loss and Comprehensive Loss
(Unaudited)

(Cdn $ in thousands, except share and per share data)

	Three months ended October 31		Six months ended October 31	
	2009	2008	2009	2008
Revenue	$ 14,883	$ 8,765	$ 27,469	$ 16,399
Cost of sales including amortization	11,413	7,096	20,967	12,742
Gross profit	3,470	1,669	6,502	3,657
Operating expenses				
Research and development	3,387	3,458	7,374	7,102
Sales and marketing	2,605	1,804	5,549	3,401
General and administration	1,707	2,533	3,533	4,489
Stock-based compensation	438	509	829	849
Amortization of plant and equipment	386	723	826	879
Amortization of intangible assets	1,786	1,710	3,179	3,580
Restructuring charges (Note 9)	226	-	359	-
	10,535	10,737	21,649	20,300
OPERATING LOSS	(7,065)	(9,068)	(15,147)	(16,643)
Other income (expense)				
Interest income	13	253	16	562
Interest expense	(68)	(65)	(145)	(116)
Gain on disposal of equipment	-	-	42	-
Realized foreign exchange gain (loss)	(10)	572	300	537
LOSS BEFORE INCOME TAXES	(7,130)	(8,308)	(14,934)	(15,660)
RECOVERY OF FUTURE INCOME TAXES	461	587	1,382	1,095
NET LOSS	(6,669)	(7,721)	(13,552)	(14,565)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	795	6,966	(4,224)	7,884
OTHER COMPREHENSIVE INCOME (LOSS)	795	6,966	(4,224)	7,884
COMPREHENSIVE LOSS	$ (5,874)	$ (755)	$ (17,776)	$ (6,681)
Net loss per share (Note 7)				
Basic and diluted	$ (0.03)	$ (0.04)	$ (0.05)	$ (0.08)
Weighted average number of outstanding shares (Note 7)				
Basic and diluted	254,732,805	182,617,055	251,943,718	179,065,704

See accompanying notes to the consolidated financial statements

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Shareholders' Equity
(Unaudited)

(Cdn $ in thousands)

	Share Capital (Note 6)	Contributed Surplus	Deficit	Accumulated other comprehensive income	Shareholders' Equity
Three months ended October 31, 2009					
Balance at July 31, 2009	$ 143,765	$ 8,943	$ (106,111)	$ 5,392	$ 51,989
Stock-based compensation	-	438	-	-	438
Net loss	-	-	(6,669)	-	(6,669)
Unrealized loss on translation of self-sustaining foreign operations	-	-	-	795	795
Balance at October 31, 2009	$ 143,765	$9,381	$ (112,780)	$ 6,187	$ 46,553
Six months ended October 31, 2009					
Balance at April 30, 2009	$ 131,128	$ 8,200	$ (99,228)	$ 10,411	$ 50,511
Stock-based compensation	-	829	-		829
Fair value of warrants	-	396	-		396
Exercise of warrants	106	(44)	-		62
Issuance of common shares	12,531		-		12,531
Net loss	-	-	(13,552)		(13,552)
Unrealized gain on translation of self-sustaining foreign operations	-	-	-	(4,224)	(4,224)
Balance at October 31, 2009	$ 143,765	$ 9,381	$ (112,780)	$ 6,187	$ 46,553

See accompanying notes to the consolidated financial statements

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
(Unaudited)

(Cdn $ in thousands)

	Three months ended October 31		Six months ended October 31	
	2009	2008	2009	2008
Operating activities				
Net loss	$ (6,669)	$ (7,721)	$ (13,552)	$ (14,565)
Items not affecting cash:				
Amortization of plant and equipment and intangible assets	2,591	2,924	4,861	5,391
Stock-based compensation expense	438	509	829	849
Unrealized foreign exchange gain	13	-	(333)	-
Gain on sale of equipment	-	-	(42)	-
Future income tax recovery	(461)	(587)	(1,382)	(1,095)
Increase in inventory obsolescence reserve	164	-	209	-
	(3,924)	(4,875)	(9,410)	(9,420)
Changes in non-cash operating working capital items (Note 13)	1,135	801	(1,383)	683
Net cash flows used in operating activities	(2,789)	(4,074)	(10,793)	(8,737)
Investing activities				
Redemption of short-term investments	-	11,050	-	11,050
Purchase of plant and equipment	(450)	(1,159)	(667)	(1,873)
Proceeds from sale of equipment	-	-	49	-
Acquisition of subsidiaries (Note 8)	-	(55)	-	(10,650)
Collection of Wave7 Optics, Inc. loan	-	-	-	1,007
Net cash flows (used in) from investing activities	(450)	9,836	(618)	(466)
Financing activities				
Decrease/repayment of operating line of credit	-	-	(780)	-
Repayment of note payable	(292)	(97)	(580)	(97)
Net proceeds from issuance of common share, Warrants and options, net of issuance costs (Note 6)	-	-	12,988	5,481
Net cash flows (used in) provided by financing activities	(292)	(97)	11,628	5,384
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH	(125)	(156)	(424)	(184)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,656)	5,509	(207)	(4,004)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,952	26,646	11,503	36,159
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 11,296	$ 32,155	$ 11,296	$ 32,155
Non cash financing activities				
Issuance of common shares on acquisition of subsidiaries (Note 8)	-	8,160	-	8,160
Supplementary information:				
Interest received	$ 10	$ 492	$ 13	$ 634
Interest paid	68	65	136	116
Income taxes paid	-	73	-	170
Cash	$ 7,276	$ 4,131	$ 7,276	$ 4,131
Cash equivalents	4,020	28,024	4,020	28,024
Total cash and equivalents	$ 11,296	$ 32,155	$ 11,296	$ 32,155

See accompanying notes to the consolidated financial statements

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 a key portion of the infrastructure for next generation telecommunication systems. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the preparation of interim financial statements. These unaudited interim consolidated financial statements do not include all of the information and note disclosures required by GAAP for annual financial statements. They are based upon accounting principles consistent with those used in the annual consolidated financial statements with the exception of new accounting policies described in Note 3. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended April 30, 2009.

The preparation of these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments necessary to state fairly the results for the periods presented. Actual results could differ materially from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

While the Company has sufficient funds to continue to finance operations, it has a history of recurring losses and an accumulated deficit of $112.8 million. The Company must continue to increase its revenues while controlling its operating expenses or obtain additional financing.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Plant and equipment are recorded at cost. Due to a change in estimated useful lives, effective May 1, 2009, all assets are amortized using the straight-line method from that date forward. Amortization is calculated over the anticipated useful lives of the assets as follows:

Asset class	*Amortization term*
Machinery and equipment	3 to 12 years
Computer equipment and software	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, 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 three to five years based on expected life. 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.

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

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 may be present.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. CHANGES IN ACCOUNTING POLICY

(a) Standards adopted

Financial instruments

In August 2009, the CICA amended CICA Handbook section 3855, “Financial Instruments – Recognition and Measurement”, which add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. In addition, this section has been amended to change the categories into which a debt instrument is required or permitted to be reclassified; change the impairment model for held-to-maturity financial assets to the incurred credit loss model of impaired loans; and require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. These amendments apply to annual financial statements relating to fiscal years beginning on or after April 30, 2009. The adoption of this new Section did not have a material impact on the Company’s 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. Management has concluded that this standard has no material impact on its consolidated financial statements.

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

3. CHANGES IN ACCOUNTING POLICY (Continued)

(b) Future requirements

International financial reporting standards

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises, which includes Enablence. The official change-over date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 and comparative information will be restated. 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.

4. ACCOUNTS RECEIVABLE

	October 31, 2009	April 30, 2009
Trade	$ 12,130	$ 11,338
Accrued	89	65
Other	41	36
	$ 12,260	$ 11,439

5. INVENTORIES

	October 31, 2009	April 30, 2009
Raw materials	$ 8,389	$ 6,645
Work-in-progress	1,001	1,406
Finished goods	7,389	8,735
Inventory at customer sites	3,941	5,564
Allowance for obsolescence	(2,357)	(2,409)
	$ 18,363	$ 19,941

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

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

6. SHARE CAPITAL

Authorized
Unlimited number of common shares

Issued and outstanding	Number of common Shares	Amount
April 30, 2008	172,691	109,575
Issued for acquisition of Wave7 Optics, Inc. (Note 8)	2,078	3,547
Issued for acquisition of assets from DuPont Photonics (Note 8)	6,848	9,724
Issued for acquisition of Pannaway Technologies Inc. (Note 8)	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
Issued for cash net of $1,269 issuance costs	46,000	12,531
Exercise of broker warrants	206	106
July 31, 2009 and October 31, 2009	254,733	$ 143,765

On May 12, 2009, the Company completed a public offering issuing an aggregate of 46,000 common shares at a price of $0.30 per share for gross proceeds of $13,800. As partial compensation for this transaction, 1,840 broker warrants were issued entitling the holder to purchase one common share per warrant 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 pricing model. During the six months ended October 31, 2009, 206 broker warrants with a fair value of $44 were exercised. The exercise of the warrants resulted in cash proceeds of $62 and a total increase to share capital of $106. No warrants were exercised in the three months ended October 31, 2009.

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

6. 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:

	Six months ended October 31, 2009		2008	
	Number of Warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	-	$ -	3,580	$ 0.79
Issued	1,840	0.30	-	-
Exercised	(206)	0.30	(1,000)	$ 0.37
Outstanding, and exercisable end of period	1,634	$ 0.30	2,580	$ 0.94

The following table summarizes information for warrants outstanding:

	Expiry	October 31, 2009	October 31, 2008
$ 0.60	March 1, 2009	-	1,400
$ 1.35	April 25, 2009	-	1,180
$ 0.30	November 12, 2010	1,634	-
		1,634	2,580

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 on or 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.

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

6. SHARE CAPITAL (Continued)

Stock option plan (Continued)

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

	Six months ended October 31, 2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	17,299	$ 0.93	12,580	$ 0.91
Granted	-	-	4,647	$ 1.18
Forfeited	(793)	$1.07	-	-
Expired	(303)	$ 1.37	-	-
Outstanding, end of period	16,203	$ 0.92	17,227	$ 0.98
Exercisable, end of period	10,953	$ 0.79	10,768	$ 0.67

The following table summarizes the options outstanding and exercisable as at October 31, 2009:

Options Outstanding			Options Exercisable	
Exercise Price ($)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Exercise Price ($)
$ 0.30	1,306	9.13	-	$ 0.30
0.37	3,085	6.73	3,085	0.37
0.50	2,640	7.13	2,640	0.50
0.80	2,955	7.35	2,955	0.80
1.15	3,717	8.76	929	1.15
1.37	375	7.44	375	1.37
1.45	100	8.52	25	1.45
2.30	1,750	8.27	875	2.30
2.39	275	8.38	69	2.39
$ 0.92	16,203	7.79	10,953	$ 0.79

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:

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

6. SHARE CAPITAL (Continued)

Stock option plan (Continued)

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

No options were granted during the quarters ending April 30, 2009, July 31, 2009 and October 31, 2009.

During the three-month period ended October 31, 2009 stock-based compensation expense was $438 (2008 - $509). During the six-month period ended October 31, 2009, stock-based compensation expense was $829 (2008 - $849). Stock-based compensation is recorded as an increase to contributed surplus and transferred to share capital when the underlying options are exercised. There were no options granted during the three and six month periods ended October 31, 2009. Grant date fair value of options issued during the six months ended October 31, 2008 was $3,185.

7. 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 and warrants was anti-dilutive; therefore, 17,837 potentially dilutive shares at October 31, 2009 (2008 – 19,807) have not been included in the calculation of diluted loss per common share for the three and six months ended October 31, 2009 and October 31, 2008.

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

8. 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

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 $3,758 (US$3,000) bearing interest at 5% per annum. For the first 36 months, monthly payments of interest only 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.

<u>Purchase Price</u>

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

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

8. ACQUISITIONS (Continued)

Pannaway Technologies Incorporated ("Pannaway")

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

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
	38,192
Liabilities assumed:	
Accounts payable and accrued liabilities	9,796
Deferred revenue	11,833
Future income tax liability	4,599
	26,228
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 three to five-year period from the date of acquisition.

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.

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

8. ACQUISITIONS (Continued)

Assets of DuPont Photonics Technologies LLC ("DuPont Photonics")

Purchase Price		
Issuance of 3,599 Enablence shares for cash	$	5,111
Issuance of 3,249 Enablence shares for assets		4,613
Transaction costs		106
	$	9,830

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		2,222
	$	9,830

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.

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.

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

8. ACQUISITIONS (Continued)

Wave7 Optics, Inc. ("Wave7")

Purchase Price

Investment of cash	$ 10,568
Issuance of 2,078 Enablence shares	3,547
Transaction costs	274
	$ 14,389

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

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

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.

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

9. 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 six months ended October 31, 2009, the Company identified the need to further reduce its costs to improve its operating results and incurred an additional $359 in restructuring costs (October 31, 2008 – $nil). During the year ended April 30, 2009, the Company incurred and paid $474 in restructuring charges. $227 is included in accrued liabilities related to restructuring charges at October 31, 2009 (April 30, 2009 – $nil).

10. 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

	October 31, 2009	April 30, 2009
Held-for-trading (1)	$ 11,399	$ 11,614
Loans and receivables (2)	12,260	11,636
Other financial liabilities (3)	30,272	24,141

(1) Includes cash and cash equivalents and restricted cash
(2) Includes accounts receivable and investment tax credits receivable
(3) Includes accounts payable and accrued liabilities, operating line of credit, note payable and convertible note

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.

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

10. 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 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 October 31, 2009, one customer accounted for 15% of the trade accounts receivable balance (October 31, 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 to be not collectible.

The ageing of trade accounts receivable (net of an allowance of $265) is summarized as follows:

	October 31, 2009	April 30, 2009
Current or under 60 days	$ 9,926	$ 8,840
Past due 61 to 90 days	618	645
Past due greater than 90 days	1,586	1,853
Total trade accounts receivable	$ 12,130	$ 11,338

Of the $2,204 of past due accounts receivable greater than 60 and 90 days at October 31, 2009, $912 has been collected after October 31, 2009. Another $662 is contractually held back pending completion of certain customer terms and conditions. All of these holdback amounts are included in deferred revenue.

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

	October 31, 2009
Opening balance	$ 260
Increase during the period	5
Closing balance	$ 265

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

10. FINANCIAL INSTRUMENTS (Continued)

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.

	Six months ended October 31,			
	2009		**2008**	
	Net loss	OCI	Net loss	OCI
USD	$ 905	$ 4,595	$ 968	$ 5,608
Swiss francs (CHF)	13	420	7	720

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 October 31, 2009, the Company has two long-term financial liabilities, payment of which is due as follows including interest:

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

10. FINANCIAL INSTRUMENTS (Continued)

	For the years ending					
	Remainder of period to April 30, 2010	April 30, 2011	April 30, 2012	April 30, 2013	Thereafter	Total
Note payable	$ 637	$ 1,273	$ 1,114	$ -	$ -	$ 3,024
Convertible debt	81	162	392	604	2,906	4,145
Total	$ 718	$ 1,435	$ 1,506	$ 604	$ 2,906	$ 7,169

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.

11. 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 period.

Under the terms of the Note Payable, a wholly-owned subsidiary of the Company must maintain certain working capital and net worth ratios, and is in compliance.

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

12. 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.

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 tables:

	Three months ended October 31			
	2009		2008	
	Revenue	Net Loss	Revenue	Net Loss
Systems	$ 8,815	$ (3,220)	$ 4,908	$ (2,799)
OCS	6,068	(1,824)	3,857	(3,945)
Corporate	-	(1,625)	-	(978)
	$ 14,883	$ (6,669)	$ 8,765	$ (7,721)

	Six months ended October 31			
	2009		2008	
	Revenue	Net Loss	Revenue	Net Loss
Systems	16,932	(7,639)	$ 9,863	$ (5,084)
OCS	10,537	(3,990)	6,716	(7,752)
Corporate	-	(1,923)	-	(1,729)
	$ 27,469	$ (13,552)	$ 16,399	$ (14,565)

Intersegment revenue for the six months ended October 31, 2009 consisted of sales of $38 from the OCS division to the Systems division (2008 - nil). All intersegment transactions were eliminated on consolidation.

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

12. SEGMENTED INFORMATION (Continued)

Assets by reportable segment are presented in the following table:

	October 31, 2009		**April 30, 2009**	
	Plant, equipment and other	Goodwill and intangibles	Plant, equipment and other	Goodwill and intangibles
Systems	$ 1,020	$ 17,183	$ 1,314	$ 21,368
OCS	11,3666	9,246	13,039	11,194
Corporate	73	-	72	-
	$ 12,460	$ 26,429	$ 14,425	$ 32,562

Certain assets are analyzed geographically as follows:

	October 31, 2009	April 30, 2009	October 31, 2009	April 30, 2009
	Plant, equipment and other		Goodwill and intangibles	
	2009	2009	2009	2009
United States	$ 8,845	$ 10,523	$ 26,158	$ 32,271
Canada	764	894	271	291
Switzerland	2,851	3,008	-	4,198
	$ 12,460	$ 14,425	$ 26,429	$ 32,562

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

12. SEGMENTED INFORMATION (Continued)

Revenue is analyzed geographically as follows:

	Three months ended October 31,		Six months ended October 31,	
	2009	2008	2009	2008
United States	$ 8,254	$ 4,717	$ 17,666	$ 8,902
China	1,829	602	2,542	902
France	1,812	-	2,113	5
Andorra	799	1,473	1,013	2,974
Japan	596	-	648	-
Canada	341	54	725	104
Israel	341	339	632	651
Sweden	254	158	493	158
Germany	180	-	459	-
United Kingdom	133	-	235	16
Taiwan	77	139	252	511
Australia and New Zealand	63	291	144	603
Brazil	29	203	121	203
Denmark	9	69	152	77
Aruba	-	121	45	-
Other countries	166	599	229	1,172
	$ 14,883	$ 8,765	$ 27,469	$ 16,399

During the six months ended October 31, 2009, no one customer accounted for greater than 10% of the Company's total revenue and one customer accounted for 15% of the accounts receivable balance at October 31, 2009. During the six months ended October 31, 2008, one customer accounted for 19% of the Company's total revenue and one customer accounted for 31% of the accounts receivable balance at October 31, 2008.

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

13. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Net change in non-cash operating working capital items:

	Three months ended October 31, 2009	Three months ended October 31, 2008	Six months ended October 31, 2009	Six months ended October 31, 2008
Accounts receivable	$ (1,761)	$ (1,355)	$ (1,074)	$ (2,653)
Inventories	584	(1,048)	(444)	(117)
Prepaid expenses	110	325	194	395
Operating line of credit	-	(111)	-	476
Accounts payable and accrued liabilities	2,866	2,901	2,078	2,482
Deferred revenue	(664)	89	(2,137)	100
	$ 1,135	$ 801	$ (1,383)	$ 683