Consolidated Financial Statements of

ENABLENCE TECHNOLOGIES INC.

April 30, 2010 and 2009

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Auditors' Report

To the shareholders of
Enablence Technologies Inc.

We have audited the consolidated balance sheets of Enablence Technologies Inc. as at April 30, 2010 and 2009 and the consolidated statements of loss, other comprehensive income (loss) and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
Licensed Public Accountants

July 22, 2010

ENABLENCE TECHNOLOGIES INC.
Consolidated Financial Statements
April 30, 2010 and 2009

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ENABLENCE TECHNOLOGIES INC.
Consolidated Balance Sheets
as at April 30, 2010 and 2009

($ in thousands)

	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	$ 23,407	$ 11,503
Restricted cash	1,546	111
Accounts receivable (Note 5)	11,707	11,439
Investment tax credits receivable (Note 8)	-	197
Inventories (Note 6)	13,754	19,941
Prepaid expenses	2,317	2,398
	52,731	45,589
PROPERTY, PLANT AND EQUIPMENT (Note 9)	10,582	13,946
INTANGIBLE ASSETS (Note 10)	4,611	16,391
OTHER ASSETS (Note 11)	116	154
GOODWILL (Note 12)	14,046	16,496
	$ 82,086	$ 92,576
CURRENT LIABILITIES		
Operating line of credit (Note 7)	$ -	$ 864
Accounts payable and accrued liabilities	14,244	15,843
Deferred revenue	6,148	9,862
Current portion of notes payable (Note 13)	1,102	1,331
	21,494	27,900
NOTES PAYABLE (Note 13)	993	2,524
CONVERTIBLE NOTES (Note 14)	3,047	3,579
FUTURE INCOME TAX LIABILITY (Note 8)	3,788	8,062
	29,322	42,065
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	170,269	131,128
Contributed surplus	10,399	8,200
Accumulated other comprehensive income	3,898	10,411
Deficit	(131,802)	(99,228)
	52,764	50,511
	$ 82,086	$ 92,576

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 Income (Loss) and Comprehensive Loss
For the years ended April 30, 2010 and 2009

($ in thousands except per share data)

	2010	2009
Revenue	$ 53,892	$ 45,238
Cost of sales including amortization of $1,692 (2009 - $1,853)	42,451	34,111
Gross profit	11,441	11,127
Operating expenses		
Research and development	14,034	16,805
Sales and marketing	10,158	9,734
General and administration	7,749	9,109
Stock-based compensation (Note 15)	1,436	1,705
Amortization of intangible assets	5,528	7,600
Amortization of property, plant and equipment	1,505	2,049
Restructuring charges (Note 18)	2,287	474
	42,697	47,476
OPERATING LOSS	(31,256)	(36,349)
Other income (expense)		
Interest income	29	726
Interest expense	(272)	(299)
Gain on disposal of equipment	42	-
Impairment of intangible assets (Note 10)	(4,355)	(30,200)
Impairment of goodwill (Note 12)	-	(17,500)
Foreign exchange gain	101	831
LOSS BEFORE INCOME TAXES	(35,711)	(82,791)
RECOVERY OF FUTURE INCOME TAXES	(3,137)	(5,968)
NET LOSS	(32,574)	(76,823)
OTHER COMPREHENSIVE (LOSS) INCOME		
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations	(6,513)	10,233
OTHER COMPREHENSIVE (LOSS) INCOME	(6,513)	10,233
COMPREHENSIVE LOSS	$ (39,087)	$ (66,590)
Net loss per share (Note 16)		
Basic and diluted	$ (0.12)	$ (0.40)
Weighted average number of outstanding shares (Note 16)		
Basic and diluted	270,084	192,355

See accompanying notes to the consolidated financial statements

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Shareholders' Equity
For the years ended April 30, 2010 and 2009
($ in thousands)

	2010	2009
SHARE CAPITAL (Note 15)	$ 170,269	$ 131,128
CONTRIBUTED SURPLUS		
Balance at beginning of year	8,200	6,623
Stock-based compensation expense	1,436	1,705
Fair value of warrants issued (Note 15)	925	-
Options exercised	(12)	(6)
Warrants exercised	(150)	(122)
	10,399	8,200
DEFICIT		
Balance at beginning of year	(99,228)	(22,405)
Net loss	(32,574)	(76,823)
	(131,802)	(99,228)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of year	10,411	178
Unrealized (loss) gain on translation of financial statements of self-sustaining foreign operations	(6,513)	10,233
	3,898	10,411
TOTAL SHAREHOLDERS' EQUITY	$ 52,764	$ 50,511

See accompanying notes to the consolidated financial statements

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
For the years ended April 30, 2010 and 2009

(in thousands)

	2010	2009
Operating activities		
Net loss	$ (32,574)	$ (76,823)
Items not affecting cash:		
Amortization of property, plant and equipment and intangible assets	8,726	11,502
Stock-based compensation	1,436	1,705
Unrealized foreign exchange gain	(532)	(179)
Gain on disposal of equipment	(42)	-
Future income taxes	(3,137)	(5,968)
Impairment of intangible assets	4,355	30,200
Impairment of goodwill	-	17,500
	(21,768)	(22,063)
Changes in non-cash operating working capital items (Note 23)	(277)	(5,579)
	(22,045)	(27,642)
Investing activities		
Redemption of short-term investments	-	11,050
Increase in restricted cash	(1,448)	(111)
Purchase of property, plant and equipment	(1,310)	(2,490)
Purchase of software	(223)	(182)
Purchase of other assets	-	(11)
Acquisition of subsidiaries (Note 17)	-	(11,143)
Proceeds from sale of equipment	49	-
Repayment of loan from Wave7 Optics, Inc.	-	1,007
	(2,932)	(1,880)
Financing activities		
Change in operating line of credit	(780)	48
Repayment of notes payable	(1,097)	(707)
Net proceeds from issuance of common shares, warrants and options, net of issuance costs (Note 15)	39,971	5,540
	38,094	4,881
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH	(1,213)	(15)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,904	(24,656)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,503	36,159
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 23,407	$ 11,503
Non-cash financing activities		
Issuance of common shares on acquisition of subsidiaries (Note 17)	$ -	$ 20,996
Supplementary information:		
Interest received	$ 30	$ 803
Interest paid	275	295
Income taxes paid	-	170
Cash	22,487	11,503
Cash equivalents	920	-
Total cash and cash equivalents	$ 23,407	$ 11,503

1. DESCRIPTION OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation

The consolidated financial statements include the accounts of Enablence Technologies Inc., and its wholly owned subsidiaries comprised of the Systems division which includes Enablence USA FTTx Networks, Inc. and Enablence Systems Inc.; and the Optical Components and Subsystems division which includes Enablence Switzerland AG, Enablence USA Components Inc., Enablence Technologies USA Inc. and Enablence Canada Inc. All intercompany transactions have been eliminated on consolidation.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

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

Cash and cash equivalents

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

Restricted cash

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

Inventories

<u>Systems division</u>

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

<u>Optical components and subsystems division</u>

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of 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 to the extent it is more likely than not they will be realized.

Investment tax credits

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

Property, plant and equipment

Property, plant and equipment are recorded at cost. Due to a change in estimated useful lives, effective May 1, 2009 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 12 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, 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 future life.

Intangible assets also include patents. Costs incurred to acquire patents are recorded at cost and amortized over ten years, the expected useful life of the patents. Effective May 1, 2009, software is also included in intangible assets. Software is amortized using the straight-line method over an estimated useful life of 3 years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

Long-lived assets are evaluated whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value (see Note 10).

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 12).

Foreign currency translation

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

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

Financial instruments

The Company classifies 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 earnings.

Receivables are designated as loans and receivables and accounts payable, accrued liabilities, notes payable and convertible notes as other financial liabilities. Both loans and receivables and other financial liabilities are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

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.

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 the 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 plans

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

3. CHANGES IN ACCOUNTING POLICY

Goodwill and intangible assets

Effective May 1, 2009, the Company adopted the new CICA standard, Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced Handbook Section 3062, Goodwill and Other Intangible Assets, and Handbook Section 3450, *Research and Development Costs.* This revision aligns Canadian GAAP with International Financial Reporting Standards ("IFRS") and establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adoption of this new standard did not have a material effect on the Company's consolidated financial statements.

Revenue recognition

In December 2009, the CICA issued Emerging Issues Committee EIC-175, *Multiple Deliverable Revenue Arrangements.* This new standard is applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011 but with earlier adoption permitted. The new standard requires a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. The Company has adopted this standard for the year ended April 30, 2010. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Financial instruments

In August 2009, the CICA amended CICA Handbook section 3855, "Financial Instruments – Recognition and Measurement", which adds 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.

3. CHANGES IN ACCOUNTING POLICY (Continued)

Financial assets and financial liabilities

In January 2009, the Company adopted EIC-173, Credit risk and the fair value of financial assets and financial liabilities issued by the Emerging Issues Committee. This abstract requires that an entity's own credit risk for financial liabilities and the credit risk of the counterparty for financial assets should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this abstract did not have a material impact on the consolidated financial statements.

The Company also adopted the changes made by CICA to Section 3862, *Financial instruments – Disclosures* whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (i.e derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which will replace Handbook Section 1581, *Business Combinations*. The new standard is effective for acquisitions in fiscal years beginning on or after January 1, 2011 but with earlier adoption permitted and provides the Canadian equivalent to IFRS 3, *Business Combinations*. The Company is assessing the impact of the new standard on its consolidated financial statements.

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

4. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which will replace Handbook Section 1600, *Consolidated Financial Statements*. These new standards are effective for interim and annual consolidated statements for fiscal years beginning on or after January 1, 2011 but with earlier adoption permitted and provide the Canadian equivalent to IFRS IAS 27, *Consolidated and Separate Financial Statements*. The new standards are not expected to have a material effect on the Company's consolidated financial statements.

International Financial Reporting Standards ("IFRS")

On February 13, 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. After that date, IFRS will replace Canadian GAAP for those enterprises. While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to recognition, measurement and disclosure. The Company is in the process of developing a changeover plan for the implementation of IFRS, including assessing the impact of the differences in accounting standards on the Company's consolidated financial statements; on internal control over financial reporting; on the Company's information and data systems; and, on other related matters.

5. ACCOUNTS RECEIVABLE

	2010	2009
Trade	$ 11,604	$ 11,338
Accrued	63	65
Other	40	36
	$ 11,707	$ 11,439

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

6. INVENTORIES

	2010	2009
Raw materials	$ 6,343	$ 6,645
Work-in-progress	1,172	1,406
Finished goods	5,196	8,735
Inventory at customer sites	3,365	5,564
Allowance for obsolescence	(2,322)	(2,409)
	$ 13,754	$ 19,941

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

Analysis of the reserve for obsolescence is as follows:

	2010	2009
Opening balance	$ 2,409	$ -
Increase during the year	1,630	2,409
Write off of items included in reserve	(1,286)	-
Reversal of write down	(58)	-
Difference due to fluctuation in exchange rates	(373)	-
	$ 2,322	$ 2,409

7. OPERATING LINE OF CREDIT

The Company had an operating line of credit available to it up to a maximum of US$750 with interest at 3.5%. Subsequent to April 30, 2009, the operating line of credit was not renewed and the outstanding balance was repaid in the year ended April 30, 2010.

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

8. 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:

	2010	2009
Loss before income taxes	$ (35,711)	$ (82,791)
Statutory rate	32.67%	33.33%
Expected tax recovery	$ (11,667)	$ (27,594)
Permanent differences	514	6,412
Decrease in tax rates	1,103	(171)
Changes in foreign exchange rates	(1,218)	(3,134)
Foreign tax rate differential and other	(5,491)	(2,467)
Change in valuation allowance, excluding foreign exchange	13,622	20,986
Income tax recovery	$ (3,137)	$ (5,968)

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:

Future income tax assets (liabilities)

Tax losses carried forward	$ 101,946	$ 110,659
Research and development expenditures	2,987	3,031
Deductible share issuance costs	1,091	1,060
Depreciable property, plant and equipment	359	-
Intangible assets	413	-
Other accruals	2,756	-
	109,552	114,750
Less: valuation allowance	(109,324)	(114,555)
Future tax assets	228	195
Depreciable property, plant and equipment	(4,016)	(8,257)
Net future tax liability	$ (3,788)	$ (8,062)

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

8. INCOME TAXES AND INVESTMENT TAX CREDITS (Continued)

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.

At April 30, 2010, 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 and Switzerland	Investment Tax Credits	Federal SR&ED Deductions
2011	$ 512	$ 512	$ -	$ -	$ -
2014	249	249	-	-	-
2015	1,196	1,196	-	-	-
2020	983	-	982	-	-
2021	12,864	-	12,865	-	-
2022	20,154	-	20,154	-	-
2023	26,244	-	26,244	-	-
2024	27,323	-	27,323	-	-
2025	38,508	-	38,508	-	-
2026	34,066	628	33,438	1	
2027	65,497	2,585	62,912	618	
2028	10,892	3,702	7,190	937	-
2029	14,565	5,098	9,467	656	-
2030	22,152	4,846	17,306	415	
Indefinite carry-forward		-	-	-	11,948
	$ 275,205	$ 18,816	$ 256,389	$ 2,627	$ 11,948

* Included in foreign operating tax losses of $256,389 are $229,035 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 $3,000 per year in US tax losses, based on current conditions and expectations.

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

9. PROPERTY, PLANT AND EQUIPMENT

	April 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	$ 20,367	$ 11,173	$ 9,194
Lab equipment and tooling	2,481	1,951	530
Photomasks	560	206	354
Computer equipment	1,279	1,090	189
Office furniture and equipment	784	627	157
Leasehold improvements	495	337	158
	$ 25,966	$ 15,384	$ 10,582

	April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	$ 22,844	$ 10,798	$ 12,046
Lab equipment and tooling	2,244	1,475	769
Photomasks	473	159	314
Computer equipment	2,091	1,763	328
Office furniture and equipment	988	721	267
Leasehold improvements	552	330	222
	$ 29,192	$ 15,246	$ 13,946

10. INTANGIBLE ASSETS

	April 30, 2010			
	Cost	Accumulated Amortization	Cumulative Impairments	Net Book Value
Intellectual property	$ 25,829	$ 8,697	$ 14,789	$ 2,343
Customer relationships	26,522	6,750	18,066	1,706
Software	4,047	3,736	-	311
Brand name	2,076	376	1,700	-
Patents	399	148	-	251
	$ 58,873	$ 19,707	$ 34,555	$ 4,611

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

10. INTANGIBLE ASSETS (Continued)

	April 30, 2009			
	Cost	Accumulated Amortization	Cumulative Impairments	Net Book Value
Intellectual property	$ 26,921	$ 5,404	$ 11,900	$ 9,617
Customer relationships	27,313	4,555	16,600	6,158
Software	4,507	4,182	-	325
Brand name	2,076	376	1,700	-
Patents	399	108	-	291
	$ 61,216	$ 14,625	$ 30,200	$ 16,391

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. As such, the Company performed impairment tests on its intangible assets. During the year ended April 30, 2010, the Company recorded impairment losses of $4,355 (2009 - $30,200).

11. OTHER ASSETS

	April 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
Technical license fee	$ 77	$ 49	$ 28
Security deposit	77	-	77
Other	15	4	11
	$ 169	$ 53	$ 116

	April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Technical license fee	$ 89	$ 40	$ 49
Security deposit	91	-	91
Other	18	4	14
	$ 198	$ 44	$ 154

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

12. GOODWILL

	As at April 30, **2010**	2009
Balance, beginning of year	$ 16,496	$ 20,123
Impairment recognized in ANDevices, Inc.	-	(17,500)
Goodwill on acquisition of Pannaway	-	10,185
Foreign exchange differential	(2,450)	3,688
	$ 14,046	$ 16,496

Goodwill is tested at the conclusion of the third quarter of each fiscal year or if factors indicative of impairment are present. The Company conducted a review of the carrying value of goodwill and concluded that there had been no further impairment in value since the last review conducted in January 2009 when a charge of $17,500 was recorded.

13. NOTES PAYABLE

The notes payable are to a U.S. subsidiary of a foreign bank for US$3,735, maturing March 30, 2012 at an interest rate based on the Wall Street Journal prime rate plus 0.25%, resulting in an interest rate of 5.50% as at April 30, 2010 (2009 – 5.50%). The loan is repayable in six monthly consecutive interest payments beginning April 30, 2008, forty-one monthly principal and interest payments in the amount of US$98 each beginning October 30, 2008 and one final payment of US$98 on March 30, 2012. The fair value of the note was $2,095 at April 30, 2010 (April 30, 2009 - $3,855).

The principal repayment schedule as of April 30, 2010 is as follows:

2011	$1,102
2012	993
	$2,095

Interest paid in the year ended April 30, 2010 is $108 (2009 - $206). Interest accrued at April 30, 2010 is $7 (2009 - $11). Subsequent to year end, this note payable was repaid from the proceeds of a new note payable (see Note 24).

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

14. CONVERTIBLE NOTES

On November 19, 2008, Enablence acquired Pannaway Technologies Inc. (Note 17). As partial consideration for the acquisition, Enablence issued ten-year convertible notes (the "Notes") with a principal value of US$3,000 bearing interest at 5% per annum. For the first 36 months, monthly payments of interest only are made. Thereafter, equal monthly payments of outstanding principal and interest will be made until the maturity date of November 19, 2018. The Notes are convertible, at the option of the holder, from the third anniversary until the fifth anniversary or in the event of a default, at a conversion price equal to the greater of (i) the closing market price on the last trading day prior to the date of the conversion notice, and (ii) the conversion price of $0.365 (US$0.317) in the first two years, $0.402 (US$0.349) in the third year, $0.442 (US$0.384) in the fourth year and $0.486 (US$0.422) in the fifth year. The maximum number of shares that can be issued pursuant to the Notes is 9,464 shares. The Company has recorded the entire value of the notes as debt as the Company has determined that there was no value associated with the equity component.

During the year ended April 30, 2010, the Company paid interest of $161 (2009 - $76). Interest accrued at April 30, 2010 was $5 (2009 - $5).

15. SHARE CAPITAL

Authorized
Unlimited number of common shares

Issued and outstanding	Number of common Shares	Amount
April 30, 2008	172,691	$ 109,575
Issued on acquisition of Wave7 Optics, Inc. (Note 17)	2,078	3,547
Issued on acquisition of assets from DuPont Photonics (Note 17)	6,848	9,724
Issued on acquisition of Pannaway Technologies Inc. (Note 17)	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 $3,776 of issuance costs	117,875	38,774
Exercise of broker warrants	738	400
Exercise of options	75	35
Cancellation of shares held in escrow	(40)	(68)
April 30, 2010	327,175	$ 170,269

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

15. SHARE CAPITAL (Continued)

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 until 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 year ended April 30, 2010, 451 broker warrants with a fair value of $97 were exercised. The exercise of the warrants resulted in cash proceeds of $135 and a total increase to share capital of $232.

On February 4, 2010, the Company completed a public offering issuing an aggregate of 71,875 common shares at a price of $0.40 per share for gross proceeds of $28,750. As partial compensation for this transaction, 2,875 broker warrants were issued entitling the holder 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 pricing model. During the year ended April 30, 2010, 287 broker warrants with a fair value of $53 were exercised. The exercise of the warrants resulted in cash proceeds of $115 and a total increase to share capital of $168.

40 shares which had been held in escrow on the acquisition of Wave7 Optics, Inc. were cancelled on November 18, 2009 as certain terms of the escrow agreement had not been met.

Warrants

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

	Year ended April 30,			
	2010		2009	
	Number of Warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	-	$ -	3,580	$ 0.78
Issued	4,715	0.36	-	-
Exercised	(738)	0.34	(1,000)	0.37
Expired	-	-	(2,580)	0.94
Outstanding, and exercisable end of year	3,977	$ 0.37	-	-

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

15. SHARE CAPITAL (Continued)

Warrants (continued)

The following table summarizes information for warrants outstanding:

	Expiry	April 30, 2010	April 30, 2009
$ 0.30	November 12, 2010	1,390	-
$ 0.40	August 4, 2011	2,587	-
		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, thereunder. As at April 30, 2010, the option pool was 32,717. The options are granted with exercise prices equal to the fair market value of the common shares of the Company on the date of grant. Options granted prior to September 7, 2007 generally vested in four equal portions during the first year and expire on the earlier of the 10th anniversary of the grant date or 90 days after termination of employment. Options granted after September 7, 2007 and before March 18, 2008 generally vested in four equal portions during the first eighteen months and expire on the earlier of the 10th anniversary of the grant date or termination of employment. Options granted on or after March 18, 2008 generally vest in four equal annual portions starting one year after the date of grant and expire on the 10th anniversary of the grant or 90 days after termination of employment. Options granted to directors vest over a two year period.

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

	Year ended April 30, 2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	17,299	$ 0.93	12,580	$ 0.91
Granted	4,050	0.58	6,147	0.96
Forfeited or expired	(2,061)	0.82	(1,268)	1.12
Exercised	(75)	0.30	(160)	0.37
Outstanding, end of year	19,213	$ 0.84	17,299	$ 0.93
Exercisable, end of year	12,039	$ 0.87	10,303	$ 0.77

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

15. SHARE CAPITAL (Continued)

Stock option plan (continued)

The following table summarizes the options outstanding and exercisable as at April 30, 2010:

Options Outstanding			Options Exercisable	
Exercise Price ($)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Exercise Price ($)
$ 0.30	932	8.63	233	$ 0.30
0.37	3,850	6.23	3,850	0.37
0.49	1,000	9.67	-	0.49
0.50	2,290	6.63	2,290	0.50
0.50	1,547	9.67	-	0.50
0.72	1,500	9.97	-	0.72
0.80	2,640	6.85	2,640	0.80
1.15	2,954	8.26	739	1.15
1.37	375	6.94	375	1.37
1.45	100	8.02	25	1.45
2.30	1,750	7.77	1,750	2.30
2.39	275	7.88	137	2.39
$ 0.84	19,213	7.73	12,039	$ 0.87

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:

	April 30, 2010	Jan 31, 2010	Jan. 31, 2009	Oct. 31, 2008	July 31, 2008	April 30, 2008
Risk-free interest rate	2.56%	1.86%	1.17%	2.89%	3.19%	3.07%
Expected life of options (years)	5	5	4	4	4	4
Expected annualized volatility	94%	96%	77%	77%	75%	77%
Expected dividend yield	nil	nil	nil	nil	nil	nil

There were no options granted during the quarters ended April 30, 2009, July 31, 2009 and October 31, 2009.

During the year ended April 30, 2010 stock-based compensation expense was $ 1,436 (2009 - $1,705). Stock-based compensation is recorded as an increase to contributed surplus. During the year ended April 30, 2010, grant date fair value of options issued was $1,706 (2009 - $3,443). The weighted average value per option granted is $0.42 (2009 -$0.56).

(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, 23,190 potentially dilutive shares at April 30, 2010 (2009 – 17,299) have not been included in the calculation of diluted loss per common share for the years ended April 30, 2010 and April 30, 2009.

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

Purchase Price

Cash	$	250
Issuance of 25,750 Enablence shares		7,725
5% Convertible notes (US$3,000) (See Note 14)		3,758
Transaction costs		231
	$	11,964

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

17. ACQUISITIONS (Continued)

Pannaway Technologies Incorporated ("Pannaway") (continued)

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 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)

17. ACQUISITIONS (Continued)

Wave7 Optics, Inc. ("Wave7") (Continued)

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 and intellectual property. 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)

17. ACQUISITIONS (Continued)

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

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.

18. RESTRUCTURING CHARGES

In response to deteriorating global economic conditions and, in light of recent acquisitions, management conducted a review of its operations and implemented a restructuring plan in November 2008 to reduce costs and improve operating efficiencies. The restructuring charges consisted of severance and benefits related to the reduction of the Company's workforce.

During the year ended April 30, 2010, the Company identified the need to make changes to further reduce its costs to improve its operating results and incurred an additional $2,287 in restructuring costs (April 30, 2009 - $474). $1,750 is included in accrued liabilities related to restructuring charges at April 30, 2010 (April 30, 2009 – nil).

19. 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.

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

19. FINANCIAL INSTRUMENTS (Continued)

Carrying values and fair values (Continued)

The following table summarizes information regarding the carrying values of the Company's financial instruments

	April 30, 2010	April 30, 2009
Held-for-trading (1)	$ 24,953	$ 11,614
Loans and receivables (2)	11,707	11,439
Other financial liabilities (3)	19,386	24,141

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

CICA Section 3862 Financial Instruments - Disclosures require 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. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA Handbook Section 3862 prioritizes the inputs into three levels that may be used to measure fair value.

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	$ 23,407	$ -	$ -	$ 23,407
Restricted cash	1,546	-	-	1,546
Total financial assets	$ 24,953	$ -	$ -	$ 24,953
Financial liabilities				
Notes payable	-	2,095	-	2,095
Convertible notes	-	3,047	-	3,047
Total financial liabilities	$ -	$ 5,142	$ -	$ 5,142

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

19. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and amounts receivable. The Company primarily invests its excess cash in high quality financial instruments. The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. As at April 30, 2010, no one customer accounted for greater than 10% of the trade accounts receivable balance (2009 – one,14%).

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

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

The ageing of trade accounts receivable (net of an allowance of $259 (2009 - $267)) is summarized as follows:

	April 30, 2010	April 30, 2009
Current or under 60 days	$ 8,763	$ 8,840
Past due 61 to 90 days	687	645
Past due greater than 90 days	2,154	1,853
Total trade accounts receivable	$ 11,604	$ 11,338

Of the $2,841 of past due accounts receivable at April 30, 2010, $1,900 has been collected after April 30, 2010 up to July 22, 2010. Of the past due accounts receivable greater than 90 days of $2,154, $1,161 is contractually held back pending completion of certain customer terms and conditions. All of these holdback amounts are included in deferred revenue.

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

19. FINANCIAL INSTRUMENTS (Continued)

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

	2010	2009
Balance, beginning of year	$ 267	$ 165
Increase during the year	139	291
Bad debts recovered during the year	-	(90)
Bad debts written off during the year	(147)	(99)
Balance, end of year	$ 259	$ 267

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. An increase in the interest rate of 1% would result in an increase in interest expense of $21for the year.

Foreign currency risk

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

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

	April 30, 2010		April 30, 2009	
	Net loss	OCI	Net loss	OCI
USD	$ 2,369	$ 2,630	$ 2,083	$ 4,158
Swiss francs (CHF)	13	193	87	420

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

19. 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 April 30, 2010, the Company has financial liabilities, payment of which is due as follows including interest:

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Beyond Fiscal 2014	Total
Accounts payable and accrued liabilities	$ 14,244	$ -	$ -	$ -	$ -	$ 14,244
Notes payable	1,196	1,023	-	$ -	$ -	$ 2,219
Convertible debt	152	368	567	545	2,326	3,958
Total	$ 15,592	$ 1,391	$ 567	$ 545	$ 2,326	$ 20,421

20. CAPITAL MANAGEMENT

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 approach to capital management during the year.

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

21. SEGMENTED INFORMATION

The Company has three reportable segments: Systems, 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 table:

2010	**Revenue**	**Gross Margin**	**Net Loss**
Systems	**$ 30,444**	**$ 6,486**	**$ (18,099)**
OCS	**23,448**	**4,955**	**(7,947)**
Corporate	**-**	**-**	**(6,528)**
	$ 53,892	**$ 11,441**	**$ (32,574)**

2009	Revenue	Gross Margin	Net Loss
Systems	$ 30,783	10,302	$ (19,357)
OCS	14,455	825	(53,326)
Corporate	-	-	(4,140)
	$ 45,238	$ 11,127	$ (76,823)

Intersegment revenue for the year ended April 30, 2010 consisted of sales of $73 from the OCS division to the Systems division (2009 - $80).

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

2010	**Goodwill**	**Intangibles**	**Intangible impairment charges**
Systems	**$ 8,259**	**$ 3,677**	**$ 2,776**
OCS	**5,787**	**782**	**1,579**
Corporate	**-**	**152**	**-**
	$ 14,046	**$ 4,611**	**$ 4,355**

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

21. SEGMENTED INFORMATION (Continued)

2009	Goodwill	Intangibles	Goodwill impairment charges	Intangibles impairment charges
Systems	$ 9,700	$ 11,968	$ -	$ 7,500
OCS	6,796	4,404	17,500	22,700
Corporate	-	19	-	-
	$ 16,496	$ 16,391	$ 17,500	$ 30,200

Revenue and certain assets are analyzed geographically as follows:

	Revenue		Property and equipment		Goodwill and intangibles	
	2010	2009	**2010**	2009	**2010**	2009
United States	**$ 33,589**	$ 27,459	**$ 7,281**	$ 10,069	**$ 18,247**	$ 32,571
China	**6,004**	1,155	**-**	-	**-**	-
France	**3,072**	-				
Andorra	**2,072**	6,331	**-**	-	**-**	-
Canada	**1,240**	1,790	**598**	869	**410**	316
Germany	**1,717**	1,559	**-**	-	**-**	-
Japan	**1,691**	1,149	**-**	-	**-**	-
Israel	**1,519**	1,250	**-**	-	**-**	-
Sweden	**699**	540	**-**	-	**-**	-
United Kingdom	**524**	-	**-**	-	**-**	-
Australia & New Zealand	**376**	810	**-**	-	**-**	-
Taiwan	**258**	1,425	**-**	-	**-**	-
Switzerland	**19**	22	**2,703**	3,008	**-**	-
Other foreign countries	**1,112**	1,748	**-**	-	**-**	-
	$ 53,892	$ 45,238	**$ 10,582**	$ 13,946	**$ 18,657**	$ 32,887

During the year ended April 30, 2010, no one customer accounted for greater than 10% of the Company's total revenue (April 30, 2009 – one,14%).

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

22. 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:

2011	$ 1,571
2012	1,017
2013	679
2014	393
2015	274
2016 and beyond	847
	$ 4,781

At April 30, 2010, the Company has an outstanding letter of credit in the amount of US$750. There is no restricted cash to support this outstanding letter of credit as the amount is guaranteed by a third party.

The Company has another outstanding letter of credit in the amount of US$1,425. This letter of credit is supported by restricted cash of the same amount and covers 50% of a performance bond guarantee.

23. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Net change in non-cash operating working capital items:

	2010	**2009**
Accounts receivable	$ (1,350)	$ (2,350)
Investment tax credits	-	3
Inventories	3,256	204
Prepaid expenses and deposits	(138)	(859)
Accounts payable and accrued liabilities	204	(826)
Deferred revenue	(2,249)	(1,751)
	$ (277)	$ (5,579)

24. SUBSEQUENT EVENTS

Acquisition of Teledata Networks Ltd.

On June 23, 2010, the Company completed its merger with Teledata Networks Ltd., a high speed broadband provider based in Tel Aviv, Israel. The merger consideration is comprised of US$10,000 in cash, US$10,000 in 5% subordinated secured notes, repayable on the second anniversary of the closing of the merger and issuance of 54,932 common shares of Enablence (representing 14.3% of total outstanding shares post closing), the equivalent value of which was US$30,000 for gross consideration of US$50,000.

Change of year end in Company

Effective May 1, 2010, the Company has changed its fiscal year end from April 30 to June 30. The next fiscal year of the Company will cover the 14 month period May 1, 2010 to June 30, 2011. The Company will report first quarter results for the period ended June 30, 2010.

Notes Payable

On July 16, 2010, the notes payable, with a principal of US$1,879 at time of redemption, was repaid from the proceeds of a new US$5,000 notes payable with a different bank. As a result, the Company received net cash proceeds of US$3,121.