

MOSAID Technologies Incorporated  
Unaudited Consolidated Financial Statements  
For the Quarter Ended October 31, 2008

The attached consolidated financial statements have been prepared by Management of MOSAID Technologies Incorporated and have not been reviewed by an auditor.

**MOSAID TECHNOLOGIES INCORPORATED**  
 (Subject to the Canada Business Corporations Act)  
**CONSOLIDATED PRO FORMA STATEMENTS OF OPERATIONS**  
 (In thousands of Canadian Dollars, except per share amounts)  
 (Unaudited)

	Quarter Ended October 31,		Six Months Ended October 31,	
	2008	2007	2008	2007
<b>Revenues</b>	<b>\$13,795</b>	\$11,526	<b>\$26,447</b>	\$24,121
<b>Operating expenses</b>				
Patent portfolio management	<b>1,203</b>	1,356	<b>2,326</b>	2,318
Patent licensing and litigation	<b>6,528</b>	2,711	<b>10,945</b>	5,149
Research and development	<b>508</b>	599	<b>1,075</b>	1,091
General and administration	<b>885</b>	945	<b>2,034</b>	2,158
Foreign exchange (gain) loss	<b>(874)</b>	487	<b>(935)</b>	675
Special committee	-	101	-	112
	<b>8,250</b>	6,199	<b>15,445</b>	11,503
Pro forma income from operations	<b>5,545</b>	5,327	<b>11,002</b>	12,618
Net interest income	<b>613</b>	565	<b>1,135</b>	963
Pro forma income before income tax	<b>6,158</b>	5,892	<b>12,137</b>	13,581
Income tax expense	<b>2,032</b>	2,096	<b>4,005</b>	4,875
Pro forma income (Note 6)	<b>\$ 4,126</b>	\$ 3,796	<b>\$ 8,132</b>	\$ 8,706
<b>Pro forma earnings per share</b>				
Basic	<b>\$0.40</b>	\$0.34	<b>\$0.78</b>	\$0.78
Diluted	<b>\$0.40</b>	\$0.34	<b>\$0.77</b>	\$0.76
<b>Weighted average number of shares</b>				
Basic	<b>10,242,692</b>	11,125,423	<b>10,465,510</b>	11,118,138
Diluted	<b>10,261,537</b>	11,125,423	<b>10,494,342</b>	11,489,775

See accompanying Notes to the Consolidated Financial Statements

**MOSAID TECHNOLOGIES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**  
(In thousands of Canadian Dollars, except per share amounts)  
(Unaudited)

	<b>Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>October 31,</b>		<b>October 31,</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
<b>Revenues</b>	<b>\$13,795</b>	\$11,526	<b>\$26,447</b>	\$24,121
<b>Operating expenses</b>				
Patent portfolio management	<b>1,203</b>	1,356	<b>2,326</b>	2,318
Patent licensing and litigation	<b>6,528</b>	2,711	<b>10,945</b>	5,149
Research and development	<b>508</b>	599	<b>1,075</b>	1,091
General and administration	<b>885</b>	945	<b>2,034</b>	2,158
Foreign exchange loss (gain)	<b>6,002</b>	(4,253)	<b>6,520</b>	(5,743)
Other	<b>168</b>	238	<b>315</b>	366
Patent amortization and imputed interest	<b>3,301</b>	3,436	<b>6,561</b>	6,836
	<b>18,595</b>	5,032	<b>29,776</b>	12,175
(Loss) income from operations	<b>(4,800)</b>	6,494	<b>(3,329)</b>	11,946
Net interest income	<b>613</b>	565	<b>1,135</b>	963
(Loss) income before income tax expense and discontinued operations	<b>(4,187)</b>	7,059	<b>(2,194)</b>	12,909
Income tax (recovery) expense	<b>(191)</b>	2,561	<b>610</b>	4,676
(Loss) income before discontinued operations	<b>(3,996)</b>	4,498	<b>(2,804)</b>	8,233
Discontinued operations income (net of tax) (Note 5)	<b>569</b>	236	<b>737</b>	6,036
<b>Net (loss) income</b>	<b>(3,427)</b>	4,734	<b>(2,067)</b>	14,269
Dividends	<b>2,544</b>	2,779	<b>5,228</b>	5,558
Normal course issuer bid	<b>1,837</b>	2,418	<b>3,215</b>	2,418
<b>Retained earnings, beginning of period</b>	<b>16,595</b>	23,657	<b>19,297</b>	16,901
<b>Retained earnings, end of period</b>	<b>\$ 8,787</b>	\$23,194	<b>\$ 8,787</b>	\$23,194
<b>Earnings per share</b> (Note 4)				
Basic – before discontinued operations	<b>(\$0.39)</b>	\$0.40	<b>(\$0.27)</b>	\$0.74
Diluted – before discontinued operations	<b>(\$0.39)</b>	\$0.40	<b>(\$0.27)</b>	\$0.72
Basic – net earnings	<b>(\$0.33)</b>	\$0.43	<b>(\$0.20)</b>	\$1.28
Diluted – net earnings	<b>(\$0.33)</b>	\$0.43	<b>(\$0.20)</b>	\$1.24
<b>Weighted average number of shares</b>				
Basic	<b>10,242,692</b>	11,125,423	<b>10,465,510</b>	11,118,138
Diluted	<b>10,261,537</b>	11,125,423	<b>10,494,342</b>	11,489,775

See accompanying Notes to the Consolidated Financial Statements

**MOSAID TECHNOLOGIES INCORPORATED**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands of Canadian Dollars)

	As at October 31, 2008 (unaudited)	As at April 30, 2008 (audited)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 25,390	\$ 22,133
Marketable securities	34,362	36,246
Accounts receivable	4,951	12,304
Prepaid expenses	732	486
Future income taxes recoverable	11,015	11,015
	<b>76,540</b>	<b>82,184</b>
<b>Capital assets</b>	<b>852</b>	<b>957</b>
<b>Acquired intangibles</b>	<b>66,699</b>	<b>70,130</b>
<b>Future income taxes recoverable</b>	<b>19,331</b>	<b>16,988</b>
	<b>\$163,332</b>	<b>\$170,259</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 9,052	\$ 7,723
Income tax payable	1,432	356
Deferred revenue	843	1,146
Other liability	1,116	318
Current portion of other long-term liabilities	8,063	5,345
	<b>20,506</b>	<b>14,888</b>
Deferred gain on sale-leaseback	1,393	1,797
Other long-term liabilities	35,768	31,195
	<b>57,667</b>	<b>47,880</b>
<b>Shareholders' Equity</b>		
Share capital (Note 3)	94,745	100,403
Contributed surplus	3,249	2,997
Retained earnings	8,787	19,297
Accumulated other comprehensive income	(1,116)	(318)
	<b>105,665</b>	<b>122,379</b>
	<b>\$163,332</b>	<b>\$170,259</b>

See accompanying Notes to the Consolidated Financial Statements

**MOSAID TECHNOLOGIES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of Canadian Dollars)  
(Unaudited)

	<b>Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>October 31,</b>		<b>October 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Operating</b>				
(Loss) income before discontinued operations	(\$ 3,996)	\$ 4,498	(\$ 2,804)	\$ 8,233
Items not affecting cash				
Amortization	2,473	2,431	4,930	4,750
Stock-based compensation	168	137	315	235
Unrealized foreign exchange loss (gain) on other long-term liabilities	6,876	(4,740)	7,455	(6,418)
Future income tax recoverable	(832)	1,366	(2,343)	3,267
	<b>4,689</b>	<b>3,692</b>	<b>7,553</b>	<b>10,067</b>
Change in non-cash working capital items from continuing operations	(1,614)	(1,823)	4,509	(6,018)
	<b>3,075</b>	<b>1,869</b>	<b>12,062</b>	<b>4,049</b>
<b>Investing</b>				
Acquisition of capital assets and acquired intangibles	(57)	(3)	(1,394)	(2,667)
Acquisition of short-term marketable securities	(14,408)	(34,506)	(47,114)	(81,407)
Proceeds on disposal/maturity of short-term marketable securities	21,860	34,108	48,998	70,555
	<b>7,395</b>	<b>(401)</b>	<b>490</b>	<b>(13,519)</b>
<b>Financing</b>				
Repayment of mortgage	-	(65)	-	(130)
Long-term liabilities	169	249	(164)	1,614
Repurchase of shares	(4,597)	(4,501)	(8,415)	(4,501)
Dividends	(2,544)	(2,779)	(5,228)	(5,558)
Funding of RSU plan	(718)	-	(718)	-
Issue of common shares	24	176	167	1,926
	<b>(7,666)</b>	<b>(6,920)</b>	<b>(14,358)</b>	<b>(6,649)</b>
Net cash inflow (outflow) from continuing operations	<b>2,804</b>	<b>(5,452)</b>	<b>(1,806)</b>	<b>(16,119)</b>
Net cash inflow (outflow) from discontinued operations	<b>5,371</b>	<b>(662)</b>	<b>5,063</b>	<b>11,773</b>
<b>Net cash inflow (outflow)</b>	<b>8,175</b>	<b>(6,114)</b>	<b>3,257</b>	<b>(4,346)</b>
<b>Cash and cash equivalents</b> , beginning of period	<b>17,215</b>	<b>25,164</b>	<b>22,133</b>	<b>23,396</b>
<b>Cash and cash equivalents</b> , end of period	<b>\$25,390</b>	<b>\$19,050</b>	<b>\$25,390</b>	<b>\$19,050</b>

See accompanying Notes to the Consolidated Financial Statements

**MOSAID TECHNOLOGIES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands of Canadian Dollars)  
(Unaudited)

	<b>Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>October 31,</b>		<b>October 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Net (loss) income	<b>(\$3,427)</b>	\$4,734	<b>(\$2,067)</b>	\$14,269
Other comprehensive income, net of tax:				
Gains and losses on derivatives designated as cash flow hedges	<b>(1,212)</b>	871	<b>(1,387)</b>	1,657
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to revenue in the current period	<b>423</b>	(276)	<b>589</b>	(442)
Other comprehensive (loss) income	<b>(789)</b>	595	<b>(798)</b>	1,215
Comprehensive (loss) income	<b>(\$4,216)</b>	\$5,329	<b>(\$2,865)</b>	\$15,484

See accompanying Notes to the Consolidated Financial Statements

**MOSAID TECHNOLOGIES INCORPORATED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Quarter ended October 31, 2008**

(tabular dollar amounts in thousands of Canadian Dollars, except per share amounts)

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements.

In the opinion of management, all adjustments consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the interim period presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the full fiscal year ending April 30, 2009.

2. Adoption of New Accounting Standards

Effective January 1, 2008 the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants.

Capital Management

Section 1535, Capital disclosures, requires the Company to disclose information about the Company's objectives, policies and procedures for the management of its capital.

Financial Instruments - Disclosures and Presentation

Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation replace section 3861, Financial Instruments - Disclosure and Presentation. These sections require the disclosure of information with regards to the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Financial instrument classification is as follows:

Cash and marketable securities	Held-for-trading
Accounts receivable	Loans and receivables
Derivative assets and liabilities	Held-for-trading
Accounts payable and accrued liabilities	Held-for-trading
Income taxes payable	Held-for-trading
Long-term liabilities	Other liabilities

As a result of adoption of the above policies, there was no material impact on the Statement of Operations.

### 3. Shareholders' equity and other comprehensive income

The following are the changes in shareholders' equity for the six months ended October 31, 2008:

	Common shares (number)	Common shares (\$)	Contributed surplus (\$)	Retained earnings (\$)	Accumulated other comprehensive income (\$)	Total (\$)
Balance at April 30, 2008	10,719,807	\$100,403	\$2,997	\$19,297	(\$318)	\$122,379
Net income				(2,067)		(2,067)
Dividends				(5,228)		(5,228)
Employee Stock Option Program	14,250	218	(93)			125
Employee Share Purchase Program	2,122	42	12			54
Stock-based compensation		(718)	333			(385)
Normal course issuer bid	(559,148)	(5,200)		(3,215)		(8,415)
Unrealized derivative gains on cash flow hedges – net					(798)	(798)
Balance at October 31, 2008	10,177,031	\$94,745	\$3,249	\$ 8,787	(\$1,116)	\$105,665

### 4. Earnings per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted per share computations:

	Quarter Ended October 31,		Six Months Ended October 31,	
	2008	2007	2008	2007
(Loss) income before discontinued operations	<b>(\$3,996)</b>	\$4,498	<b>(\$2,804)</b>	\$ 8,233
Discontinued operations (net of tax)	<b>569</b>	236	<b>737</b>	6,036
Net (loss) income	<b>(\$3,427)</b>	\$4,734	<b>(\$2,067)</b>	\$14,269
Weighted average number of common shares outstanding	<b>10,242,692</b>	11,125,425	<b>10,465,510</b>	11,118,138
Net effect of stock options	<b>18,845</b>	-	<b>28,832</b>	371,637
Weighted average diluted number of common shares outstanding	<b>10,261,537</b>	11,125,423	<b>10,494,342</b>	11,489,775
Earnings per share				
Basic – before discontinued operations	<b>(\$0.39)</b>	\$0.40	<b>(\$0.27)</b>	\$0.74
Diluted – before discontinued operations	<b>(\$0.39)</b>	\$0.40	<b>(\$0.27)</b>	\$0.72
Basic - net income	<b>(\$0.33)</b>	\$0.43	<b>(\$0.20)</b>	\$1.28
Diluted - net income	<b>(\$0.33)</b>	\$0.43	<b>(\$0.20)</b>	\$1.24

For the quarters ended October 31, 2008 and October 31, 2007, 269,606 and 289,456 options, respectively, were excluded from the calculation of diluted earnings per share, as the exercise price of these options exceeded the average market price of the Company's common stock during this period and were therefore anti-dilutive.

For the six months ended October 31, 2008 and October 31, 2007, 269,606 and 17,000 options, respectively, were excluded from the calculation of diluted earnings per share as the exercise price of these options exceeded the average market price of the Company's common stock during this period and were therefore anti-dilutive.

There were 570,808 and 503,369 options issued and outstanding as at October 31, 2008 and October 31, 2007, respectively.

#### 5. Discontinued operations

	Quarter Ended October 31,		Six Months Ended October 31,	
	2008	2007	2008	2007
Revenues	\$134	(\$42)	\$156	\$ 340
Expenses				
Research and development	8	(46)	8	1,400
Selling and marketing	5	(2)	5	1,006
Restructuring	-	12	-	166
	<b>13</b>	<b>(36)</b>	<b>13</b>	<b>2,572</b>
Gain (loss) from operations	121	(6)	143	(2,232)
Gain on sale of assets	421	(9)	623	9,295
Earnings before tax	542	(15)	766	7,063
Income tax (recovery) expense	(27)	(251)	29	1,027
Discontinued operations (net of tax)	<b>\$569</b>	<b>\$236</b>	<b>\$737</b>	<b>\$6,036</b>

#### 6. Reconciliation of pro forma income with GAAP net income

	Quarter Ended October 31,		Six Months Ended October 31,	
	2008	2007	2008	2007
GAAP net (loss) income	(\$3,427)	\$4,734	(\$2,067)	\$14,269
Add (deduct):				
Stock-based compensation	168	137	315	235
Patent amortization and imputed interest	3,301	3,436	6,561	6,836
Restructuring	-	-	-	19
Foreign exchange loss (gain)	6,876	(4,740)	7,455	(6,418)
Income tax expense - for the above items	(2,223)	465	(3,395)	(199)
Discontinued operations (net of tax)	(569)	(236)	(737)	(6,036)
Pro forma income	<b>\$4,126</b>	<b>\$3,796</b>	<b>\$8,132</b>	<b>\$ 8,706</b>

#### 7. Stock-based Compensation

The Company has an employee stock purchase plan program whereby employees may elect to designate up to 5% of their annual salary to purchase shares of the Company at a 10% discount from the fair market value. The purchase price is deducted over a six month period via payroll.

Also, the Company has an Employee and Director Stock Option Plan. The exercise price is no lower than the closing market price on the trading day immediately preceding the date of grant. Options granted under the Plan expire within a period of six years of granting, with vesting periods determined by the Human Resources Committee.

The Company employs a fair value method of accounting for all options issued to employees or directors on or after April 27, 2002. The fair value of options issued in the quarter was calculated using the Black-Scholes option pricing model and the following assumptions:

	Quarter Ended October 31,	
	2008	2007
Risk free interest rate	2.71%	4.25%
Expected life in years	5.5	5.5
Expected dividend yield	8.58%	4.95%
Volatility	42.90%	58.37%

For the quarter ended October 31, 2008, the Company issued 34,109 Deferred Share Units in lieu of options to directors and officers of the Company under its Deferred Share Unit Plan. Those deferred share units vest evenly over a four year period. Deferred share units do not have an exercise price and can only be settled using cash consideration.

The Company implemented a restricted share unit plan (“RSU Plan”) for certain employees in October 2008, and has granted 62,700 RSUs under the RSU Plan. The RSUs vest over three years. Under the RSU Plan, units are settled using common shares of the Company. During the quarter, the Company funded an independent trustee to purchase the required shares and to provide custodial services. The Company recognizes compensation expense, as measured by the purchase price of the shares, over the vesting period.

#### 8. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market and liquidity risk.

##### *Credit Risk*

Credit risk is the risk of financial loss to the Company if a licensee or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s accounts receivable and its foreign exchange contracts.

The Company provides credit to some licensees in the normal course of its operations. The Company’s credit risk review includes performing periodic credit evaluations of its most significant licensees. In certain circumstances, the Company may utilize letters of guarantee or credit insurance to mitigate certain credit risks. The Company’s licensees are, for the most part, large national and international public companies. Due to the nature of the Company’s operations, provisions for doubtful accounts are made on a licensee-by-licensee basis, based upon on-going review of licensee financial status. At this time, Management does not believe there is a need for significant allowance for doubtful accounts.

The Company limits its exposure to credit risk from counter-parties to derivative instruments by dealing only with major financial institutions. Management does not expect any counter-parties to fail to meet their obligations.

The Company invests its excess cash in investment grade securities with a maturity date not exceeding 12 months. The Company relies upon the credit rating of the counter-party to limit its credit risk. The Company does not invest in asset-backed commercial paper.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	<u>October 31, 2008</u>	<u>April 30, 2008</u>
Cash	<b>\$25,390</b>	\$22,133
Marketable securities	<b>34,362</b>	36,246
Accounts receivable	<b>4,951</b>	12,304
Other liability	<b>(1,116)</b>	(318)
	<b><u>\$63,587</u></b>	<u>\$70,365</u>

The aging of accounts receivable at the reporting date was:

	<u>October 31, 2008</u>	<u>April 30, 2008</u>
Current	<b>\$4,548</b>	\$ 6,297
Past due (61 – 120 days)	-	-
Greater than 120 days	<b>403</b>	6,007
	<b><u>\$4,951</u></b>	<u>\$12,304</u>

Based upon historical default rates, the Company believes there are minimal requirements for an allowance for doubtful accounts.

Marketable securities comprise the following:

	<u>October 31, 2008</u>	<u>April 30, 2008</u>
Bonds & debentures	<b>\$20,671</b>	\$18,980
Greater than 90 days	<b>13,691</b>	17,266
	<b><u>\$34,362</u></b>	<u>\$36,246</u>

Carrying values of bonds and debentures and discount notes include accrued interest and approximate market value. Investments in bonds and debentures and discount notes represent holdings in corporate and government short-term marketable securities as at October 31, 2008 and have a maturity date of one year or less.

#### *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 income or the value of its holding of financial instruments.

#### Foreign Exchange Risk

The Company's revenues are denominated primarily in U.S. dollars, giving rise to exposure to market risks from changes in foreign exchange rates. The Company is exposed to foreign currency fluctuations on its accounts receivable and future cash flows related to licensing arrangements denominated in U.S. dollars, as well as certain operating expenses and its long-term other liabilities obligations.

The Company's foreign exchange risk management includes the use of foreign exchange forward contracts to fix the exchange rates on certain foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and anticipated future cash flows. The Company does not utilize derivative instruments for trading or speculative purposes. The Company formally documents all relationships between derivative instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments or anticipated transactions.

The Company also formally assesses, both at the inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in off-setting changes in fair values or cash flows of hedged items. Hedge ineffectiveness is insignificant.

The forward foreign exchange contracts primarily require the Company to sell U.S. dollars for Canadian dollars at contractual rates. The Company had the following forward exchange contracts.

(In thousands of dollars)					<b>October 31, 2008</b>	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value	
Sell	\$7,050	USD	< 3 months	\$7,568	(\$ 609)	
Buy	-	USD	< 3 months	-	-	
Sell	\$3,750	USD	3-12 months	\$3,744	(\$ 507)	
					(\$1,116)	

(In thousands of dollars)					<b>April 30, 2008</b>	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value	
Sell	\$ 6,400	USD	< 3 months	\$ 6,222	(\$141)	
Sell	\$18,700	USD	3-12 months	\$18,656	(\$123)	
Buy	\$ 4,000	USD	3-12 months	\$ 4,117	(\$ 54)	
					(\$318)	

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar would have decreased (increased) other comprehensive income by approximately \$220,000; Pro forma income would have increased (decreased) by approximately \$21,000.

#### Interest Rate Risk

The Company is exposed to interest rate risk due to its holdings of interest-bearing marketable securities. It is the Company's policy to invest in securities with a maturity date of 12 months or less and Company practice to hold such securities, when possible, until maturity. A 1% increase (decrease) to the interest rate would result in an approximate \$112,000 decrease (increase) in the fair value of the investments held as at the reporting date.

The Company is also exposed to interest rate risk due to its imputed interest on other long-term liabilities.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At October 31, 2008, the Company had \$59.8 million of cash and marketable securities and has a secured bank credit facility of \$10.0 million, less off balance sheet arrangements as described in Note 24 to the fiscal 2008 Consolidated Financial Statements to meet liabilities when due. The credit facility is collateralized by a general security agreement and contains no covenants.

All of the Company's financial liabilities, except for its "other long-term liabilities" and operating lease for its premise have contractual maturities of less than 30 days.

The following chart indicates the contractual obligations to which the Company is bound over the following five years.

#### **Payments Due by Period** (in thousands of dollars)

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operation leases	\$ 2,504	\$ 948	\$ 729	\$ 496	\$ 331
Other long-term obligations	\$57,784	\$ 9,124	\$17,031	\$13,382	\$18,247
<b>Total contractual obligations</b>	<b>\$60,288</b>	<b>\$10,072</b>	<b>\$17,760</b>	<b>\$13,878</b>	<b>\$18,578</b>

### *Fair Value*

The fair values of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. The recorded amounts of long-term monetary liabilities approximate fair value, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions.

Fair value of the forward exchange contracts reflects the cash flow due to or from the Company if settlement had taken place on the reporting date.

The fair value of employee and director deferred stock units is determined using the market price of the Company's common stock on the reporting date.

### 9. 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. Management defines capital as the Company's shareholder's equity excluding accumulated other comprehensive income.

The Company has certain credit facilities with a Canadian chartered bank, which consist of an operating line, a foreign exchange forward contract facility and standby letters of credit. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Board of Directors also reviews on a quarterly basis the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

#### 10. Business Segment Information

The Company operates in one business segment as a developer and licensor of semiconductor and telecommunications technologies.

#### 11. International Financial Reporting Standards

The Accounting Standards Board of Canada (“AcSB”) plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards (“IFRS”) over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules. The Company is currently in the process of developing a conversion implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

#### 12. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.