

GENNUM CORPORATION

Audited Consolidated Financial Statements

For the Year ended November 30, 2010

(Amounts in thousands of U.S. Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Genum Corporation and the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Genum Corporation maintains systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and the Board is ultimately responsible for reviewing and approving the financial statements.

An Audit Committee is appointed by the Board and all of its members are outside directors. The Committee meets periodically with management, as well as with the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to review the annual financial statements. The Committee reports its findings to the Board of Directors for consideration in approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditor.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditor, in accordance with Canadian generally accepted auditing standards, on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

(Signed) Franz Fink

(Signed) Greg Miller

Franz J. Fink
President and Chief Executive Officer

R. Greg Miller
Senior Vice-President, Finance & Administration
and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Genum Corporation

We have audited the consolidated balance sheets of Genum Corporation as at November 30, 2010 and 2009 and the consolidated statements of earnings (loss), changes in shareholders' equity, comprehensive income, 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 audit.

We conducted our audit 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 November 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountant
Licensed Public Accountants

Toronto, Canada
February 7, 2011

Gennum Corporation

CONSOLIDATED BALANCE SHEETS

As at November 30 (U.S. dollars, amounts in thousands)

	2010	2009
ASSETS		
Current		
Cash and cash equivalents	52,732	36,958
Investments	81	42
Accounts receivable, net	21,924	17,355
Inventories (note 3)	21,406	21,677
Prepaid expenses and other assets	3,733	3,882
Consideration receivable and promissory note (notes 5 & 6)	---	1,318
Income taxes receivable	1,201	1,577
Future income taxes (note 17)	10,043	6,713
Total current assets	111,120	89,522
Capital assets, net (note 4)	24,014	22,002
Intangible assets, net (note 8)	15,918	12,309
Consideration receivable (note 5)	981	870
Goodwill (note 8)	22,292	21,638
Future income taxes (note 17)	15,372	19,385
	189,697	165,726
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	17,685	12,230
Deferred revenue (note 9)	971	386
Current portion of long-term payable (note 7)	---	1,185
Income taxes payable	768	641
Total current liabilities	19,424	14,442
Deferred revenue (note 9)	3,503	3,691
Future income taxes (note 17)	347	497
<i>Commitments and contingencies (note 19)</i>		
Shareholders' equity		
Capital stock (note 10)	8,893	8,576
Deferred compensation	(2,909)	(2,350)
Retained earnings	120,758	106,994
Contributed surplus	5,610	3,956
Accumulated other comprehensive income	34,071	29,920
Total shareholders' equity	166,423	147,096
	189,697	165,726

ON BEHALF OF THE BOARD

See accompanying notes

(Signed) F. Fink	(Signed) R. Weiss
_____ Dr. Franz Fink Director	_____ Robert S. Weiss Director

Gennum Corporation

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

Years ended November 30 (U.S. dollars, amounts in thousands except per share data)

	2010	2009
Revenue (note 12)	128,893	85,240
Cost of goods sold	34,739	24,343
Gross margin	94,154	60,897
Sales, marketing and administration expense	32,677	30,577
Research and development expense	37,003	30,567
Amortization of intangible assets	1,765	1,767
Less government assistance	(4,673)	(4,496)
Operating expenses before restructuring charge and deferred development charge impairment	66,772	58,415
Restructuring charge and deferred development impairment (note 15)	---	5,934
Operating income (loss)	27,382	(3,452)
Investment income	315	324
Other expense (note 16)	(1,009)	(4,643)
Earnings (loss) before income taxes	26,688	(7,771)
(Provision for) recovery of income taxes (note 17)	(8,124)	5,166
Net earnings (loss) for the year	18,564	(2,605)
Net earnings (loss) per share – basic and diluted (note 10)	0.54	(0.07)

See accompanying notes

Gennum Corporation

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended November 30 (U.S. dollars, amounts in thousands)

	2010	2009
Capital stock		
Balance at beginning of the year	8,576	8,576
Proceeds from shares issued on exercise of options	317	---
Balance at end of the year	8,893	8,576
Deferred compensation		
Balance at beginning of the year	(2,350)	(2,092)
New awards	(3,184)	(2,014)
Forfeitures	522	338
Amortization	2,103	1,418
Balance at end of the year	(2,909)	(2,350)
Retained earnings		
Balance at beginning of the year	106,994	113,658
Transitional adjustment on adoption of new accounting policies	---	212
Net earnings (loss)	18,564	(2,605)
Dividends	(4,800)	(4,271)
Balance at end of the year	120,758	106,994
Contributed surplus		
Balance at beginning of the year	3,956	2,493
Stock option amortization	1,735	1,463
Stock option exercises	(81)	---
Balance at end of the year	5,610	3,956
Accumulated other comprehensive income, net of income taxes		
Balance at beginning of the year	29,920	7,075
Other comprehensive income for the year	4,151	22,845
Balance at end of the year	34,071	29,920
Total shareholders' equity at end of the year	166,423	147,096

See accompanying notes

Gennum Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended November 30 (U.S. dollars, amounts in thousands)

	2010	2009
Net earnings (loss) for the year	18,564	(2,605)
Other comprehensive income, net of income taxes		
Change in unrealized gains on translating financial statements	4,132	19,907
Change in gains on derivative instruments designated as cash flow hedges ¹	19	170
Reclassification to earnings of losses on settled cash flow hedges ²	---	2,554
Reclassification to earnings of losses on available for sale financial assets ³	---	214
Total other comprehensive income, net of income taxes	4,151	22,845
Comprehensive income for the year	22,715	20,240

¹ – Net of income tax expense of \$3 for 2010 (\$75 for 2009)

² – Net of income tax expense of \$1,451 for 2009

³ – Net of income tax expense of \$51 for 2009

See accompanying notes

Gennum Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars except as noted, amounts in thousands except per share data)

	2010	2009
OPERATING ACTIVITIES		
Net earnings (loss) for the year	18,564	(2,605)
Items not affecting cash		
Depreciation and amortization	7,567	7,017
Impairment of deferred development costs and other intangibles	1,213	1,928
Deferred compensation and stock option amortization	3,838	2,881
Provisions on loans and investments	---	1,069
Gain on sale of land and building (note 16)	---	(1,000)
Gain on sale of BST technology group (note 16)	---	(1,601)
Gain on sale of Toumaz investment	---	(268)
Government assistance	(4,673)	(4,496)
Future income taxes	7,461	(6,636)
Other	1,311	929
	35,281	(2,782)
Net change in non-cash working capital balances	1,562	(1,939)
Cash provided by (used in) operating activities	36,843	(4,721)
INVESTING ACTIVITIES		
Purchase of capital assets	(6,871)	(4,608)
Payment of license fees and deferred development charges	(8,144)	(6,102)
Acquisition, other than cash acquired	---	(491)
Proceeds on sale of BST technology group (note 5)	248	2,276
Proceeds on sale of Toumaz investment	---	1,019
Proceeds on sale of land and building	---	1,437
Cash used in investing activities	(14,767)	(6,469)
FINANCING ACTIVITIES		
Deferred compensation paid, net of forfeitures	(2,662)	(1,676)
Proceeds received on exercise of stock options	236	---
Dividends paid	(4,800)	(4,271)
Cash used in financing activities	(7,226)	(5,947)
Effect of exchange rate changes on cash and cash equivalents	924	5,347
Net increase (decrease) in cash and cash equivalents during the year	15,774	(11,790)
Cash and cash equivalents, beginning of the year	36,958	48,748
Cash and cash equivalents, end of the year	52,732	36,958
Dividends declared per share ¹	\$0.14	\$0.12

During the year, interest expense paid was nil (2009 - nil) and income taxes paid was \$717 (2009 - \$3,244). Cash and cash equivalents was comprised of \$40,855 in cash and \$11,877 in cash equivalents (2009 - cash - \$23,726 and cash equivalents - \$13,232).

¹ – Dividends were paid in Canadian dollars at a rate of \$0.14 per share per year. The increase in U.S. dollar dividends declared per share was due to foreign exchange rate changes on conversion.

See accompanying notes

GENNUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. dollars except as noted, amounts in thousands except share and per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Genum Corporation (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles and within the framework of the significant accounting policies summarized below:

Principles of consolidation – These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated.

Translation of foreign currencies – The Company's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at rates in effect at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at each accounting period end date. Exchange gains or losses are included in net earnings.

For foreign subsidiaries that are considered self-sustaining, the current rate method of translating foreign currencies has been used. Under this method, assets and liabilities are translated into Canadian dollars at the exchange rates in effect at each accounting period end date and revenue and expenses are translated at average exchange rates during the period. Gains or losses arising from the translation of the financial statements of these foreign subsidiaries are included in other comprehensive income.

For foreign subsidiaries that are considered integrated, the temporal method of translating foreign currencies has been used. Under this method, monetary items are translated into Canadian dollars at the exchange rates in effect at each accounting period end date. Non-monetary items and their related amortization are translated at their historical exchange rates. Revenue and expenses are translated at average exchange rates during the period. Gains or losses arising from the translation of the financial statements of these foreign subsidiaries are included in net earnings.

The Company uses the U.S. dollar as its reporting currency, therefore the Canadian dollar balances are converted to the U.S. dollar using the current rate method for reporting purposes (see note 2).

Financial assets and financial liabilities – The Company's financial instruments are classified into one of the following five categories: held for trading; held to maturity investments; loans and receivables; available for sale financial assets; and other financial liabilities. All financial instrument transactions are recorded at the settlement date, which is the date that an asset is delivered to or by the Company. All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured at fair value except for held to maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost. Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held for trading. These financial instruments are recorded at fair value on inception and are subsequently measured at fair value at each period end. Revaluation gains and losses are included in net earnings in the period in which they arise. Available for sale financial instruments are also recorded at fair value on inception and are subsequently measured at fair value at each period end and revaluation gains and losses related to fair value are included in other comprehensive income in the period in which they occur.

Derivatives and hedge accounting – The Company enters into foreign currency forward contracts to reduce its exposure to foreign currency denominated balances. All derivative instruments are recorded on the consolidated balance sheet at fair value. All changes in fair value are recorded in net earnings unless cash flow hedge accounting is used, in which case the changes in the fair value associated with the effective portions of the hedge are recorded in other comprehensive income.

The Company has derivative instruments to manage its exposure associated with changes in the fair value of its deferred share unit ("DSU") plan. Changes in the fair value of these instruments are recorded to sales, marketing and administration expense.

Derivatives may be embedded in any contract (the “host contract”). Embedded derivatives are separated from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. Embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

Cash and cash equivalents – Cash and cash equivalents include cash on deposit and investments with remaining maturities of three months or less on inception.

Inventories – Inventories are recorded at the lower of cost and net realizable value. Inventory cost is based on weighted average cost and includes material, labour, transportation and handling costs and manufacturing overhead where applicable.

The Company adopted CICA Section 3031, “Inventories” beginning December 1, 2008 and adjusted opening inventory on this date by \$234 with an adjustment of \$212 net of tax made as an increase to retained earnings for additional transportation costs that are required to be included in inventory. The prior period was not restated.

Capital assets – Capital assets are recorded at cost, net of related government assistance and accumulated depreciation.

Equipment and furniture are depreciated using the straight-line method over estimated useful lives ranging from five to seven years. Computer software and hardware are amortized using the straight-line method over the estimated useful life of three years. Capitalized expenditures related to operating systems are amortized using the straight-line method over their estimated useful life of ten years. Leasehold improvements are amortized using the straight-line method over the term of the lease, including one renewal period.

Research and development costs – The Company follows the guidance in the CICA Handbook Section 3064, “Goodwill and Intangible Assets”. Until February 29, 2008, expenditures such as research and development costs were expensed as incurred since the criteria for deferment of such costs were not met. However, effective March 1, 2008, the criteria for deferment of eligible costs were met. These criteria include whether the product and cost are clearly defined, the technical feasibility has been established, management has indicated its intention to produce and market the product, the future market is clearly defined and adequate resources are expected to be available to complete the product. These deferred development costs are included in intangible assets (see note 8). Upon commercial launch of the product, these costs are amortized over the number of expected product life unit sales. Research costs continue to be expensed as incurred.

Government assistance – The Company receives financial assistance under available government incentive programs including investment tax credits related to research and development activities. Government assistance relating to capital expenditures and deferred development costs included in intangible assets are reflected as a reduction of the cost of such assets. Government assistance relating to research and development expense is recorded as a reduction of expenses when the related expenditures are incurred.

Business combinations, goodwill and intangible assets – The Company follows the guidance in the CICA Handbook Section 1581, “Business Combinations”, which requires all business combinations to be accounted for using the purchase method. In addition, any goodwill and intangible assets acquired in a business combination are accounted for under CICA Handbook Section 3064, “Goodwill and Other Intangible Assets”. This section requires that goodwill not be amortized, while identified intangible assets with finite useful lives be amortized over their useful lives.

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired. Goodwill and indefinite life intangibles are tested for impairment annually or more frequently if events or changes in circumstances indicate that those assets might be impaired. The impairment test is carried out in two steps. In the first step, the identification of a potential impairment is determined by comparing the fair value of the reporting unit to its carrying value. Fair value is based on estimates of discounted future cash flows. When the fair value of the reporting unit is less than its carrying value, the fair value is allocated to all its assets and liabilities based on their fair values. The amount that the fair value of the reporting unit exceeds the amounts assigned to its assets and liabilities is the fair value of

goodwill. In the second step, impairment is determined by comparing the fair value of goodwill to its carrying value. Any shortfall is charged to earnings.

Intangible assets with finite useful lives acquired through business combinations are recorded at their fair value at the date of acquisition. An impairment loss on an intangible asset with a finite useful life is recognized when its carrying value exceeds the total undiscounted cash flows expected from its use and disposition. The amount of loss is determined by deducting its fair value based on discounted cash flows expected from its use and disposition from its carrying value. The Company reviews definite life intangible assets for impairment whenever events or changes indicate that the carrying value may not be recoverable.

Asset impairment – The Company follows the guidance in CICA Handbook Section 3063, “Impairment of Long-Lived Assets” and CICA Handbook Section 3855, “Financial Instruments Recognition and Measurement”. The Company evaluates the carrying value of long-lived and intangible assets for potential impairment annually or more frequently if events or circumstances warrant a review. The carrying value of such assets is considered impaired when the anticipated net recoverable amount of the asset is less than its carrying value or when the change in value is other than temporary. In that event, the carrying value of the asset is adjusted to fair value and an impairment loss is charged to earnings. The Company reviews long-lived assets for impairment whenever events or changes indicate that the carrying value may not be recoverable.

Revenue recognition – Revenue from sales of products to customers is recognized when title and risk of ownership are transferred to customers; when persuasive evidence of an arrangement exists; when the price to the buyer is fixed or determinable; and when collection is reasonably assured.

Revenue is recognized net of estimated product returns due to stock rotation and the product warranty program. Reductions to revenue for expected and actual payments to resellers for price adjustments are based on actual adjustments incurred during the period, on estimates of what is due to resellers for estimated credits earned during the period and any adjustments for credits based on actual activity. The estimated adjustments are based on contract terms or historical patterns. The Company reviews actual adjustments on a quarterly basis to ensure they are consistent with the estimates.

For the performance of service contracts, revenue has been recognized using the percentage of completion method based on labour hours. Billings for time-based contracts are done monthly. Unbilled receivables are created when the Company accrues revenue before the contract terms permit billing the customer. Deferred revenue is created when the Company bills a customer in accordance with the contract, prior to having met the requirements for revenue recognition.

Leases – Leases are classified as capital or operating leases. A lease that transfers substantially all the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases.

Deferred gain – Deferred gain represents the unamortized portion of the gain arising on the sale of property, which was subsequently leased back. The deferred gain is amortized using the straight-line method over the life of the lease. The deferred gain is included in deferred revenue.

Stock-based compensation plan – The Company follows the guidance in the CICA Handbook Section 3870, “Stock-based Compensation and Other Stock-based Payments”, which includes the fair-value based method of accounting for all its stock-based compensation. For stock options granted on or after December 1, 2003, the options are measured on the grant date using a fair-value based method and expensed over the vesting period.

In addition, the Company has employee incentive plans which contain two components. The first is a stock option component, which is measured on the grant date using a fair-value based method and expensed over the vesting period. The second component is a restricted share component, which is recorded as deferred compensation as a charge to shareholders’ equity at the time of the grant and is expensed over the vesting period. The shares required for the restricted share component are acquired in the secondary market.

Deferred share units ("DSUs") – The Company grants deferred share units to directors as described in note 14. The number of DSUs issued is calculated by dividing the compensation by the fair market value of the Company's shares on the date of grant. The DSUs outstanding are recorded as accrued liabilities and are re-evaluated monthly at the share market price, with all changes recorded to sales, marketing and administration expense.

Income taxes – The Company follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Earnings (loss) per share – The calculation of earnings (loss) per share is based on reported net earnings (loss) divided by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the assumed conversion of all dilutive securities using the treasury stock method.

Use of estimates – The preparation of the consolidated financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

Recently issued accounting pronouncements

International Financial Reporting Standards ("IFRS") – In February 2008, the Canadian Accounting Standards Board announced the adoption of IFRS for publicly accountable enterprises. The Company will be required to adopt IFRS no later than December 1, 2011. The Company is currently evaluating the effects of adopting these standards.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests – In December 2008, the CICA approved three new accounting standards; Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", replacing Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements". Section 1582 provides the Canadian equivalent to IFRS 3 – "Business Combinations (January 2008)" and Sections 1601 and 1602 to International Accounting Standard 27 – "Consolidated and Separate Financial Statements (January 2008)", respectively. Section 1582 requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure for the accounting of a business combination. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Entities adopting Section 1582 will also be required to adopt Sections 1601 and 1602. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards will require a change in the measurement of non-controlling interest and will require the non-controlling interest to be presented as part of shareholders' equity on the balance sheet. In addition, the net earnings will include 100% of the subsidiary's results and will be allocated between the controlling interest and non-controlling interest. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. All three standards are effective at the same time Canadian public companies will adopt IFRS, for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

2. REPORTING CURRENCY

Effective December 1, 2007, the Company adopted the U.S. dollar as its reporting currency, but has retained the Canadian dollar as its functional currency. Management believes that reporting in U.S. dollars improves the comparability of the Company's financial position and results of operations to others in its industry.

During the year, revenue and expenses have been translated from Canadian dollars to U.S. dollars at the monthly average rates, and cash flows at the quarterly average rates. Assets and liabilities have been translated at the period end rate of \$0.9743 Canadian dollars to U.S. dollars (2009 - \$0.9457).

3. INVENTORIES

	As at November 30	
	2010	2009
Raw materials and supplies	242	404
Work in process	14,209	11,786
Finished goods	6,955	9,487
	21,406	21,677

Inventory is reviewed at least quarterly for obsolescence. The Company recorded a write-down of \$1,605 during the year (2009 - \$853). The inventory write-down in 2009 was included in restructuring activity (see note 15).

Included in the inventory balance at November 30, 2010 was \$8,434 in end-of-life inventory (2009 - \$11,203), a significant portion of which is expected to be sold subsequent to November 30, 2011.

4. CAPITAL ASSETS

	As at November 30	
	2010	2009
Land	992	930
Equipment and furniture	28,499	27,442
Computer software and hardware	8,736	6,724
Operating systems	10,427	10,108
Leasehold improvements	3,350	2,351
	52,004	47,555
Less accumulated depreciation		
Equipment and furniture	19,601	18,903
Computer software and hardware	5,902	5,263
Operating systems	1,844	940
Leasehold improvements	643	447
	27,990	25,553
	24,014	22,002

The cost of capital asset additions for 2010 was reduced by government assistance of \$114 (2009 - \$495). Included in capital assets were assets valued at \$2,576 that were not in use as of November 30, 2010 and therefore depreciation has not yet begun (2009 - \$1,707).

Depreciation expense for the year was as follows:

	2010	2009
Buildings	---	16
Equipment and furniture	3,238	3,398
Computer software and hardware	681	638
Operating systems	982	909
Leasehold improvements	377	224
	5,278	5,185

5. SALE OF THE BST TECHNOLOGY GROUP AND ASSOCIATED ASSETS

On March 4, 2009, the Company completed the sale of its BST technology group and associated assets to Paratek Microwave, Inc. ("Paratek") for cash on closing of \$1,526 and future cash payments totaling \$2,150. The consideration receivable is non interest bearing with \$250 payable quarterly until December 31, 2009, which has been received in full and a long-term portion of \$1,150 payable by March 4, 2012. The long-term portion as at November 30, 2010 was discounted to \$981 using a rate of 12%.

The Company is also entitled to royalty payments based on Paratek's sales of BST related products through March 2014, but royalty payments could terminate earlier if Paratek were to undergo a change of control in that time frame. In the event that a change of control occurred on or before March 4, 2012, the royalty payments may be terminated upon the payment of \$2,000 to the Company. No accruals have been made for royalty payments because an estimate cannot be made at this time.

The Company does not have any continuing involvement in or ownership interest in these operations.

The sale of the BST technology group and associated assets resulted in a gain of \$1,601 in 2009, calculated as follows:

Capital assets	1,436
Inventory	164
Transaction costs	121
	<hr/>
	1,721
Less proceeds:	
Cash	1,526
Consideration receivable	1,796
	<hr/>
Gain on sale recognized in 2009	1,601

6. PROMISSORY NOTE RECEIVABLE

On October 19, 2007, the Company received \$2,503 in an interest-bearing promissory note as part of the consideration received from the sale of its hearing and manufacturing operations to Sound Design Technologies Ltd. ("Sound Design"). Sound Design repaid the entire outstanding balance in 2010.

7. LONG-TERM PAYABLE

As part of the consideration for the acquisition of Snowbush Microelectronics Inc. on October 30, 2007, the Company negotiated deferred purchase price payments to be paid in Canadian dollars. The remaining balance, which was \$1,185 as of November 30, 2009, was paid during the year.

8. GOODWILL AND INTANGIBLE ASSETS

(i) Goodwill

Goodwill related to the Snowbush Microelectronics Inc. acquisition increased by \$1,778 in 2008 and \$399 in 2009 as a result of deferred work in process payments. Goodwill related to the ASIC Architect, Inc. acquisition increased by \$62 in 2008 and \$92 in 2009 due to working capital surplus and earn-out payments and accruals. Earn-out payments related to the ASIC Architect, Inc. acquisition are required to be made based on attaining certain annual IP thresholds, the last one ending in July 2011. Goodwill is reviewed annually for impairment.

For reconciliation purposes only, the following table summarizes goodwill balances translated to U.S. dollars at the historical exchange rates in effect at the dates of acquisition and the adjustment required to translate from historical rates to the respective balance sheet rates:

	2010	2009
SiGe Semiconductor Inc.	1,889	1,889
Snowbush Microelectronics Inc.	19,072	19,072
ASIC Architect, Inc.	1,009	1,009
Exchange translation	322	(332)
	22,292	21,638
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(ii) Intangible Assets		
	2010	2009
License fees	276	206
Less accumulated amortization	(165)	(122)
	111	84
<i>SiGe acquired in 2004</i>		
Technology	2,164	2,100
Less accumulated amortization	(2,035)	(1,676)
	129	424
<i>Snowbush acquired in 2007</i>		
Technology	3,995	3,878
Supplier relationships	1,267	1,229
In process development	---	662
Customer value	---	104
Contracts in process	---	132
	5,262	6,005
Less accumulated amortization	(3,245)	(2,792)
	2,017	3,213
<i>ASIC Architect acquired in 2008</i>		
Technology	239	314
Customer relationship	---	7
In process development	77	75
Customer value	208	201
Contracts in process	225	288
	749	885
Less accumulated amortization	(376)	(233)
	373	652
Deferred development cost	13,883	8,007
Less accumulated amortization	(595)	(71)
	13,288	7,936
	15,918	12,309

License fees are amortized using the straight-line method over the estimated useful lives ranging from three to five years. New license fees of \$70 were incurred in 2010 (none in 2009).

The intangible assets resulting from the SiGe Semiconductor Inc. acquisition in May 2004 are amortized using the straight-line method over the estimated useful life of seven years.

Intangible assets resulting from the Snowbush Microelectronics Inc. acquisition in October 2007 are amortized using the straight-line method over the estimated useful lives ranging from one to five years.

Intangible assets resulting from the ASIC Architect, Inc. acquisition in July 2008 are amortized using the straight-line method over the estimated useful lives ranging from five to seven years.

Deferred development charges represent expenditures that are directly related to placing a new product into commercialization when the expenditure is incremental in nature and it is probable that the

expenditure is recoverable from future sales of the associated product. Upon commercial launch of the product, these costs are amortized to cost of goods sold over the number of expected unit sales to a maximum of five years.

Additional deferred development costs of \$8,074 were capitalized in the year (2009 - \$6,102). These additions were partially offset by government assistance of \$1,389 in 2010. Also offsetting the additions were impairments related to deferred development costs that were no longer expected to provide future benefit of \$1,053 in the year (2009 - \$1,743, most of which were included as part of the Company's restructuring activity and was therefore under restructuring charge and deferred development impairment).

Other intangible asset impairments in 2010 included \$160 related to ASIC Architect, Inc. intangible assets that are no longer expected to provide future benefit (2009 - \$167 related to ASIC Architect, Inc. and \$18 related to license fees). Other intangible impairments are charged to research and development expense in the statement of earnings (loss).

Amortization expense related to total intangible assets in 2010 was \$2,289 (2009 - \$1,832) of which \$524 relates to deferred development costs and was charged to cost of goods sold (2009 - \$65).

9. DEFERRED REVENUE

Deferred revenue is comprised of two components. The largest is the unamortized gain created by the sale leaseback of the corporate headquarters. On August 15, 2008, the Company sold land and an office building for net proceeds of \$13,161 and concurrently entered into a 15-year leaseback arrangement with the purchaser of the property. The \$4,518 gain arising on the disposal of the property was recorded as deferred revenue and is being amortized over the lease term, partially to sales, marketing and administration and partially to research and development.

The provisions of the lease provide for a 15-year term with an option to extend for two five-year terms, at the election of the Company. The lease has been accounted for as an operating lease as the criteria for such a lease under CICA Handbook Section 3065, "Leases" have been met.

Minimum lease payments in Canadian dollars for the first five years, the second five years and the final five years are \$5,270, \$5,610, and \$5,950, respectively.

The second component is created by IP revenue when differences occur between the timing of customer payments and the recognition of revenue using the percentage of completion method.

As at November 30, 2010, deferred revenue related to the unamortized gain was \$3,802, of which \$299 was classified as current and the balance of \$3,503 as long term (2009 - \$290 current and \$3,691 long term), and deferred revenue related to collections in excess of earned IP revenue was \$672, all classified as current (2009 - \$96).

10. CAPITAL STOCK

The Company has authorized an unlimited number of common shares with no par value, of which 35,476,909 common shares (2009 - 35,429,086) were issued and outstanding as at November 30, 2010 with a stated value of \$8,893 (2009 - \$8,576). An unlimited number of preferred shares have also been authorized, none of which have been issued.

Reconciliation of common shares outstanding	Number of Shares	Stated Value
Number of shares outstanding, November 30, 2008 & 2009	35,429,086	8,576
Stock options exercised	47,823	317
Number of shares outstanding, November 30, 2010	35,476,909	8,893

Options to purchase common shares

The Company has an incentive stock option plan which provides for the granting of options for the benefit

of employees and officers. The total number of common shares that may be issued under this plan is 2,700,000, of which 251,822 remain available for new grants as at November 30, 2010.

An additional 1,080,000 options have been issued outside the stock option plan to new officers upon hiring at exercise prices ranging from Canadian \$6.13 - \$13.27. This includes 150,000 options issued outside the stock option plan in 2010 (no stock options were issued outside the stock option plan in 2009).

All options have been granted for a term of seven years from the grant date with vesting as to 25% of the option entitlement at the end of each of the first, second, third and fourth years from the date of grant. All options allow the holder to purchase common shares at the exercise price of the options, which is set at the closing price of a trade of at least a board lot of the common shares on the Toronto Stock Exchange on the trading day preceding the date of grant, unless otherwise determined by the Company, but in no event may the option exercise price be less than the fair market value of a common share on the date of grant of the option. The following table presents a comparative summary of options outstanding as of November 30. All exercise prices are presented in Canadian dollars.

	2010		2009	
	Number of shares	Weighted average exercise price (Cdn.\$)	Number of shares	Weighted average exercise price (Cdn.\$)
Outstanding, beginning of year	2,500,086	9.24	2,117,077	10.99
Granted	1,098,500	5.71	695,150	4.54
Forfeited	(418,370)	9.43	(282,641)	10.52
Expired	(10,000)	13.49	(29,500)	12.11
Exercised	(47,823)	5.10	---	---
Outstanding, end of year	3,122,393	8.02	2,500,086	9.24
Options exercisable at year end	1,338,113	10.33	984,334	11.02

The following table summarizes information about all options outstanding to purchase common shares at November 30, 2010. Note all exercise prices are presented in Canadian dollars:

Range of exercise prices (Cdn.\$)	Options Outstanding			Options Exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price (Cdn.\$)	Number exercisable	Weighted average exercise price (Cdn.\$)
\$ 4.11 - \$ 7.16	1,621,727	5.9 years	5.35	132,693	4.74
\$ 7.17 - \$10.22	948,809	3.4 years	9.83	758,563	9.81
\$10.23 - \$13.27	551,857	3.3 years	12.77	446,857	12.86

The estimated weighted average fair value of stock options granted during 2010 was Canadian \$1.91 (2009 - Canadian \$1.67) per share using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2010	2009
Risk-free interest rate	2.1%	2.0%
Expected dividend yield	2.5%	3.1%
Expected volatility	48.5%	51.1%
Expected time until exercise	4.0 years	5.5 years

Restricted share plan

The number and weighted average fair value per share of restricted shares of the Company granted under employee incentive plans in 2010 were 574,574 and Canadian \$5.84 respectively (2009 - 490,641

and Canadian \$5.07).

In 2010, the Company recorded compensation expense and credited to contributed surplus \$1,735 related to the amortization of stock options issued in prior periods (2009 - \$1,463). Compensation expense of \$2,103 in 2010 related to the amortization of prior period restricted share plan awards (2009 - \$1,418).

Earnings per share

The Company uses the treasury stock method of calculating the dilutive effect of options on earnings per share. The following is a reconciliation of the numerator and denominator of earnings per share computations:

	2010	2009
Net earnings (loss) for the year	18,564	(2,605)
Weighted average shares outstanding (numbers in thousands)	35,443	35,429
Shares held in restricted share plan trust fund	(852)	(602)
Basic weighted average shares outstanding	34,591	34,827
Effect of dilutive stock options	97	---
Diluted weighted average shares outstanding	34,688	34,827
Earnings (loss) per share - basic and diluted	0.54	(0.07)

Under the treasury stock method for calculating diluted earnings per share, options to purchase 1,609,166 common shares were not included in the computation of diluted earnings per share for the year ended November 30, 2010 because they were anti-dilutive. In net loss per common share situations, the diluted loss per common share amount is the same as that for basic, as all factors are anti-dilutive.

11. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following five categories: held for trading; held to maturity investments; loans and receivables; available for sale financial assets; and other financial liabilities. The carrying values of the Company's financial instruments, including those held for sale on the consolidated balance sheet are classified into the following categories:

	As at November 30	
	2010	2009
Held for trading ¹	52,807	37,029
Available for sale ²	49	---
Loans and receivables ³	25,160	21,477
Other financial liabilities ⁴	18,453	14,056

¹ Includes cash and cash equivalents and foreign exchange forward contracts that are not effective hedges

² Includes an investment in common shares designated as available for sale

³ Includes accounts receivable, promissory note receivable, income taxes receivable, consideration receivable and certain financial instruments included in prepaid expenses and other assets

⁴ Includes accounts payable and accrued liabilities, long-term payable and income taxes payable

The Company, through its financial assets and liabilities, is exposed to various risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company does not purchase any derivative financial instruments for speculative purposes.

Risk management is the responsibility of the corporate finance function. The Company's domestic and foreign operations along with the corporate finance function identify, evaluate and, where appropriate, hedge financial risks. Material risks are monitored and are discussed with the audit committee. The following analysis provides information regarding certain financial risks as at November 30, 2010:

(a) Fair Value

The carrying amounts for cash and cash equivalents, accounts receivable, other assets and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

Instruments held for trading and investments classified as available for sale are recorded at fair value based on the quoted share prices and foreign exchange rates as at November 30, 2010.

(b) Foreign Exchange Rate Risk

The objective of the Company's foreign exchange risk management activities is to minimize translation exposures related to the balance sheet and the resulting volatility of the Company's earnings. The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange rates by entering into foreign exchange forward contracts.

The Company's revenue is mainly denominated in U.S. dollars, whereas operating expenses (including salaries) are mainly in Canadian dollars. Cost of goods sold is a combination of U.S. and Canadian dollars. As a result of the Company's U.S. dollar profile, cash, receivables and trade payables on the Company's books are primarily denominated in U.S. dollars while the functional currency of the Company is Canadian dollars. Therefore, translation gains or losses can occur when these net monetary assets are translated to the Canadian dollar functional currency at the exchange rate in effect on the balance sheet date. A volatile exchange rate can create significant swings in periodic income. To mitigate this risk, commencing in the third quarter of 2009, the Company modified its foreign exchange risk management program. The Company's current policy is to enter into foreign exchange forward contracts equal to the forecasted level of U.S. dollar denominated net monetary assets. These contracts mature in one month and mitigate the impact of translation gains or losses due to currency movements from one balance sheet date to the next. In accordance with this policy, the Company entered into a foreign exchange forward contract on November 30, 2010 to sell \$19,100 U.S. This contract matures on December 23, 2010 at an exchange rate of Canadian \$1.02600 against the U.S. dollar.

The Company also generates revenue in Japanese yen in excess of the Japanese subsidiary's yen expenditures. This net Japanese yen cash flow is hedged on a monthly basis in a similar fashion to the U.S. foreign exchange contracts referred to above. The Company entered into foreign exchange forward contracts on October 29, 2010 and November 30, 2010 to sell 266,000 Japanese yen. These contracts mature between December 22, 2010 and January 31, 2011 at exchange rates between Canadian \$0.01264 and Canadian \$0.01226 against the Japanese yen.

The Company estimates that a before tax gain of \$42 would have been realized if the U.S. dollar and Japanese yen contracts had been terminated on November 30, 2010. The fair values of the foreign exchange forward contracts are based on market information from major financial institutions. These forward contracts are not considered hedges for accounting purposes and therefore the loss is included in other income on the statement of earnings. The net impact of these realized foreign exchange losses were \$799 in 2010 (2009 - \$1,809) recorded to other expense (see note 16).

The Company also recognizes unrealized foreign exchange gains and losses recorded to the statement of earnings (loss) mainly as a result of converting U.S. dollar denominated balances to the Company's Canadian dollar functional currency. The U.S. dollar to the Canadian dollar exchange rates used to convert U.S. dollar balances on the balance sheet to the Company's Canadian dollar functional currency was \$1.0264 on November 30, 2010 compared to \$1.0574 on November 30, 2009.

The net impact on our U.S.-based net monetary assets was a foreign exchange translation loss of \$67 in the 2010 (2009 - \$3,455) recorded to other expense (see note 16).

The Company's reporting currency is the U.S. dollar. Therefore, financial results are first consolidated into the Canadian dollar functional currency and then translated into U.S. dollars using the current rate

method. The translation to the reporting currency does not generate a cash impact and is not hedged by the Company. Gains or losses created by translating from the functional currency to the reporting currency are captured as a change in unrealized gains (losses) on translating financial statements and are captured in the consolidated statement of other comprehensive income. The Company reported a foreign currency translation gain in 2010 of \$4,132 (2009 - \$19,907) from converting the Canadian dollar consolidation for U.S. dollar reporting. This translation gain is recorded in other comprehensive income and is due to a strengthening of the Canadian dollar compared to the U.S. dollar over the year.

(c) Credit Risk

The Company is exposed to commercial credit risk from its customers in the normal course of business, which is mitigated by the Company's credit management policies. The Company is exposed to credit risk from potential default by any of its counterparties on its foreign exchange and DSU derivative financial instrument contracts and manages these credit risks by dealing only with major financial institutions with acceptable credit ratings. Credit risks associated with Paratek on the consideration receivable is managed through regular communication with this company.

As at November 30, 2010, three customers accounted for 33% of revenue, two of which are distributors (2009 - one customer, a distributor, accounted for 10% of revenue); two customers accounted for 24% of receivables (2009 - no customers accounted for more than 10% of receivables).

The aging of trade receivable balances as of November 30 were as follows:

	2010	2009
Not past due	17,464	13,494
Past due 0-30 days	3,386	2,806
Past due 31-60 days	431	207
Past due over 61 days	643	848
Accounts receivable, net	21,924	17,355

These balances are net of provisions of \$1,159 against past due over 61 days (2009 - \$496 against not past due and \$785 against past due over 61 days).

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As of November 30, 2010, the Company was holding cash and cash equivalents of \$52,732 and accounts receivable of \$21,924. The Company has undiscounted contractual maturities related to accounts payable and accrued liabilities as at November 30, 2010 of \$17,685.

The current ratio, calculated as current assets divided by current liabilities, for the Company as at November 30, 2010 was 5.7.

(e) Interest Rate Risk

Interest rate risk is the risk that interest-bearing financial instruments will vary in value due to the variability of the interest rates. The Company is not exposed to any material interest rate risk on its financial instruments.

(f) Price Risk

Price risk is the risk that the value of an investment will decline in the future. The Company does not believe it currently has any significant price risks with the exception of its DSU program. Fluctuations in Gennum share price impacts the DSU expense recognized as outstanding DSU awards are marked to market. Beginning late in 2010, the Company has implemented a DSU derivative financial instrument to help offset fluctuations in the mark to market of DSUs (see note 14).

12. SEGMENTED INFORMATION

The Company operates and tracks its results in one reportable segment, consisting of numerous product areas. The Company's chief operating decision maker is its Chief Executive Officer. The chief operating decision maker allocates resources and assesses performance of the business and other activities at the operating segment level.

The revenue by product portfolio within the single reportable segment and revenue by geographic area is as follows:

Revenue by product portfolio is as follows:

	2010	2009
Analog and Mixed Signal	95,783	60,995
Optical	22,454	12,408
IP	10,656	11,837
	128,893	85,240

Revenue by principal markets is as follows:

	2010	2009
North America	35,776	34,700
Europe	12,443	7,543
Japan	33,864	17,342
Pacific Rim	46,810	25,655
	128,893	85,240

The methodology for attributing revenue to principal markets has been changed to allocate revenue based on the billing location of the customer. The comparative balances have been reclassified to conform to this methodology.

Capital assets and goodwill per country are as follows:

	2010	2009
Canada	43,594	41,423
United States	1,051	1,020
UK	1,050	949
Other	611	248
	46,306	43,640

Goodwill of \$21,241 (November 30, 2009 - \$20,618) is located in Canada and \$1,051 (November 30, 2009 - \$1,020) is located in the United States.

13. DEFINED CONTRIBUTION PLAN

On January 1, 2009, the Company replaced the deferred profit sharing plan with a defined contribution plan pursuant to which the Company contributes, for the benefit of each employee enrolled in the plan, 5% of such employee's annual base salary earnings. The total cost incurred in 2010 was \$1,445 (2009 - \$1,151).

14. DEFERRED SHARE UNITS

Effective February 1, 2008, the Company implemented a deferred share unit ("DSU") plan for the benefit of the directors under which directors receive an initial award and an annual award in DSUs and can elect to receive up to 100% of their annual retainer or total compensation in the form of DSUs. Under the terms of the DSU plan, the DSU award is credited to an account maintained for each director. At such time as any director leaves the board of directors, such director will receive a lump sum cash payment equal to his credit balance under the DSU plan.

As of November 30, 2010, 198,144 units were outstanding at a value of \$1,353 (2009 - 134,664 units, value \$532). This liability will be paid to directors when they leave the Board of Directors. No units were redeemed in 2010 (2009 - 11,326 units were redeemed at an average price of \$5.73 Cdn. per unit). During the year ended November 30, 2010, an amount of \$756 (2009 - \$361) was charged to sales, marketing and administration expense related to the expensing of awards and from a re-evaluation of the liability based on the Company's share value.

In November, the Company entered into a derivative instrument in order to offset its exposure to changes in the fair value of units issued under its DSU plan. The derivative instrument is settled quarterly. As of November 30, 2010, the derivative instrument offset 31,800 units.

15. RESTRUCTURING CHARGE AND DEFERRED DEVELOPMENT IMPAIRMENT

During 2009, the Company announced the implementation of a restructuring plan to improve profitability and cash flow. The Company's plans included realigning its investment to maintain its research and development programs while reducing corporate infrastructure and business operations costs and capital expenditures. Additionally, Genum focused its marketing, sales and administrative investment on short-term and mid-term customer revenue generation activities and new product development.

This plan resulted in a restructuring charge and deferred development impairment of \$5,934 incurred in 2009 related to the termination of approximately 10% of the Company's workforce. The plan has been substantially completed.

Severance costs	3,584
Deferred development cost impairment (net of investment tax credits)	1,200
Inventory and other asset impairments	1,150
<hr/>	
Total restructuring charge and deferred development impairment	5,934
Severance costs incurred in 2009	3,584
Severance costs paid in 2009	(1,809)
Severance costs paid in 2010	(1,775)
<hr/>	
Severance costs included in accounts payable and accrued liabilities at year end	---

16. OTHER EXPENSE

	2010	2009
Realized loss on foreign exchange hedge contracts	(799)	(1,809)
Foreign exchange loss on translation	(67)	(3,455)
Loss on foreign exchange, net	(866)	(5,264)
Gain on sale of building ¹	---	1,000
Corporate development charges	(121)	(2,448)
Tundra termination fee, net ²	---	2,205
Gain on sale of BST technology group (note 5)	---	1,601
Provision on long-term investment ³	---	(844)
Other	(22)	(893)
	(143)	621
	(1,009)	(4,643)

¹ On August 14, 2009, the Company sold its land and vacant building located at 980 Fraser Drive in Burlington, Ontario for proceeds of \$1,437, which resulted in a gain of \$1,000.

² On March 19, 2009, Gennum Corporation announced it had entered into a definitive agreement providing for the acquisition by Gennum of all of the issued and outstanding shares of Tundra Semiconductor Corporation ("Tundra"). Tundra subsequently received an acquisition proposal which it determined to be a superior proposal and, therefore, the agreement was terminated. Pursuant to the terms of the agreement, Tundra paid Gennum a fee of \$4,188 (Cdn. \$5,000) upon the termination of the agreement. Transaction costs such as legal, financial advisory and consulting fees have been netted against this fee, which resulted in income of \$2,205.

³ As part of the Company sale of its Consumer Headset product line in 2007, the Company received shares of CellPoint Connect ("CellPoint") as partial consideration. 1.1 million of these shares were classified as available for sale. During 2009, management considered the decrease in fair value of the shares to be significant and prolonged and as a result wrote the balance off to nil and recorded a cumulative impairment charge of \$844 to earnings.

17. INCOME TAXES

(Provision for) recovery of income taxes consists of the following:

	2010	2009
Future income taxes	(7,461)	6,636
Current income taxes	(663)	(1,470)
(Provision for) recovery of income taxes	(8,124)	5,166

The following is a reconciliation of the expected income tax expense obtained by applying the combined corporate tax rates to earnings before income taxes:

	2010	2009
Expected income tax (expense) recovery using statutory tax rates	(8,273)	2,564
Permanent differences	(626)	(219)
Impact of provincial harmonization	---	2,217
Different income tax rates on earnings of foreign subsidiaries	75	30
Changes in tax rates	519	668
Adjustment of tax provision	181	(94)
(Provision for) recovery of income taxes	(8,124)	5,166
Effective tax rate	30.4%	66.5%

Components of future income taxes by jurisdiction are summarized as follows:

	2010	2009
Canada		
Future income tax asset - current		
Research and development incentives	9,650	6,428
Various accounting expenses not currently deductible for tax purposes	570	972
Accounting revenue not currently taxable	(448)	(687)
	9,772	6,713
Future income tax asset - long-term		
Research and development incentives	18,908	20,202
Tax depreciation in excess of book depreciation	(2,531)	(2,259)
Provincial Corporate minimum tax carryforward balance	524	---
Deferred gain on sale of building - long-term portion	890	937
Intangible amortization not deductible for tax	(550)	(931)
Various accounting expenses not currently deductible for tax purposes	1,609	1,157
Deferred development costs deductible for tax, not currently amortized for accounting	(3,819)	---
	15,031	19,106
Foreign		
Future income tax asset - current		
Accounting expense not currently deductible for tax purposes	271	---
Future income tax asset - long-term		
Accounting expense not currently deductible for tax purposes	341	279
Future income tax liabilities - long-term		
Other	347	497

18. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to ensure that there is adequate capital to achieve its business objectives in order to provide returns for shareholders and benefits for other stakeholders. The Company's capital is composed of shareholders' equity, and is not subject to any capital requirements imposed by a regulator.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, raise capital through debt facilities and adjust the amount of cash and cash equivalents balances.

19. COMMITMENTS AND CONTINGENCIES

The Company is committed to future minimum payments under operating leases for software design tools and buildings and equipment as at November 30, 2010 as follows:

	Design Tools	Buildings and Equipment	Total
2011	1,937	2,701	4,638
2012	1,937	2,555	4,492
2013	547	2,187	2,734
2014	---	2,153	2,153
2015 and beyond	---	15,350	15,350
	4,421	24,946	29,367

The Company has committed to approximately \$7.6 million in purchase obligations as at November 30, 2010, of which \$0.3 million is related to authorized capital projects. The remaining purchase obligations relate primarily to inventory, product development and general operating costs. These purchase obligations are expected to be incurred within the next year.

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers, former employees and third parties. Management believes that adequate provisions have been recorded in the accounts where required. Although it may not be possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.

20. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform to the presentation adopted in the current year.