

Condensed Consolidated Interim Financial Statements of  
(Unaudited)

## **MIRANDA TECHNOLOGIES INC.**

For the three-month and nine-month periods ended September 30, 2011  
and 2010 and as at January 1, 2010

# MIRANDA TECHNOLOGIES INC.

Condensed Consolidated Interim Financial Statements  
(Unaudited)

For the three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010

## Condensed Consolidated Interim Financial Statements

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# MIRANDA TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Financial Position  
(Unaudited)

As at September 30, 2011, December 31, 2010 and January 1, 2010  
(In thousands of Canadian dollars)

|   | September 30,<br>2011 | December 31,<br>2010 | January 1,<br>2010 |
|---|-----------------------|----------------------|--------------------|
| <b>Assets</b>                                 |                       |                      |                    |
| <b>Current assets</b>                         |                       |                      |                    |
| Cash and cash equivalents                     | \$ 40,066             | \$ 30,486            | \$ 29,264          |
| Temporary investments                         | –                     | 4,999                | 19,904             |
| Trade and other receivables                   | 37,049                | 29,546               | 25,601             |
| Inventories                                   | 21,452                | 20,405               | 14,512             |
| Income taxes and tax credits receivable       | 5,213                 | 5,307                | 5,808              |
| Prepaid expenses and other                    | 2,036                 | 2,066                | 1,650              |
|   | 105,816               | 92,809               | 96,739             |
| Tax credits receivable                        | 10,552                | 9,350                | 1,870              |
| Property, plant and equipment                 | 33,117                | 30,923               | 29,109             |
| Intangible assets                             | 35,931                | 39,429               | 20,960             |
| Goodwill (note 8)                             | 45,318                | 44,219               | 20,562             |
| Deferred tax assets                           | 418                   | 579                  | 485                |
| <b>Total assets</b>                           | <b>\$ 231,152</b>     | <b>\$ 217,309</b>    | <b>\$ 169,725</b>  |
| <b>Liabilities and Equity</b>                 |                       |                      |                    |
| <b>Current liabilities</b>                    |                       |                      |                    |
| Trade and other payables                      | \$ 22,807             | \$ 21,139            | \$ 13,505          |
| Provisions                                    | 1,868                 | 1,808                | 2,071              |
| Deferred revenue                              | 5,832                 | 5,934                | 2,327              |
| Income taxes payable                          | 1,474                 | 2,329                | 1,239              |
| Loans and borrowings (note 9)                 | 3,000                 | 3,119                | 9                  |
|   | 34,981                | 34,329               | 19,151             |
| Other payables                                | 234                   | 942                  | 555                |
| Provisions                                    | 1,569                 | 964                  | 933                |
| Deferred revenue                              | 3,254                 | 3,590                | 3,601              |
| Loans and borrowings (note 9)                 | 14,000                | 22,251               | 136                |
| Deferred tax liabilities                      | 13,951                | 13,772               | 8,124              |
| <b>Total liabilities</b>                      | <b>67,989</b>         | <b>75,848</b>        | <b>32,500</b>      |
| <b>Equity</b>                                 |                       |                      |                    |
| Share capital                                 | 98,221                | 98,103               | 103,165            |
| Contributed surplus                           | 4,941                 | 4,655                | 4,413              |
| Retained earnings                             | 59,408                | 40,324               | 29,647             |
| Accumulated other comprehensive income (loss) | 593                   | (1,621)              | –                  |
| <b>Total equity</b>                           | <b>163,163</b>        | <b>141,461</b>       | <b>137,225</b>     |
| <b>Total liabilities and equity</b>           | <b>\$ 231,152</b>     | <b>\$ 217,309</b>    | <b>\$ 169,725</b>  |

See accompanying notes to unaudited condensed consolidated interim financial statements.

# MIRANDA TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Comprehensive Income  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010  
(In thousands of Canadian dollars, except per share amounts)

|   | Three-month periods ended<br>September 30, |           | Nine-month periods ended<br>September 30, |           |
|---|--|-----------|---|-----------|
|   | 2011                                       | 2010      | 2011                                      | 2010      |
| Revenue   | \$ 48,815                                  | \$ 37,749 | \$ 131,793                                | \$ 98,788 |
| Cost of sales   | 18,584                                     | 15,708    | 51,922                                    | 40,632    |
| Gross profit  | 30,231                                     | 22,041    | 79,871                                    | 58,156    |
| Selling, general and administrative<br>expenses   | 15,336                                     | 12,662    | 45,509                                    | 36,047    |
| Research and development expenses,<br>net of tax credits of \$1,202 and \$3,923<br>(2010 - \$3,720 and \$6,847) | 5,633                                      | 3,086     | 17,471                                    | 12,366    |
| Results from operating activities   | 9,262                                      | 6,293     | 16,891                                    | 9,743     |
| Finance income  | (4,017)                                    | (152)     | (4,913)                                   | (1,499)   |
| Finance costs   | 151  | 672       | 1,189                                     | 2,680     |
| Net finance (income) expense  | (3,866)                                    | 520       | (3,724)                                   | 1,181     |
| Profit before income taxes  | 13,128                                     | 5,773     | 20,615                                    | 8,562     |
| Income taxes (recovery) expense (note 7)  | (102)                                      | (256)     | 1,531                                     | 640       |
| Net profit for the period   | 13,230                                     | 6,029     | 19,084                                    | 7,922     |
| Other comprehensive income:   |  |           |   |           |
| Foreign currency translation<br>differences for foreign<br>operations, net of taxes                             | (2,338)                                    | (329)     | (2,214)                                   | (329)     |
| Total comprehensive income for<br>the period  | \$ 15,568                                  | \$ 6,358  | \$ 21,298                                 | \$ 8,251  |
| Earnings per share:   |  |           |   |           |
| Basic (note 11)   | \$ 0.61                                    | \$ 0.27   | \$ 0.88                                   | \$ 0.35   |
| Diluted (note 11)   | 0.60                                       | 0.27      | 0.87                                      | 0.35      |

See accompanying notes to unaudited condensed consolidated interim financial statements.

# MIRANDA TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited)

Nine-month periods ended September 30, 2011 and 2010  
(In thousands of Canadian dollars, except share amounts)

|   | Share capital |            | Contri-<br>buted<br>surplus | Retained<br>earnings | Reserve<br>translation<br>adjustment | Total<br>equity |
|---|---------------|------------|-----------------------------|----------------------|--------------------------------------|-----------------|
|   | Number        | Amount     |                             |                      |                                      |                 |
| Balance at January 1, 2010  | 22,837,648    | \$ 103,165 | \$ 4,413                    | \$ 29,647            | \$ –                                 | \$ 137,225      |
| Net profit for the period   | –             | –          | –                           | 7,922                | –                                    | 7,922           |
| Shares issued pursuant to the<br>exercise of stock options                | 10,000        | 17         | –                           | –                    | –                                    | 17              |
| Shares redeemed pursuant<br>to the normal course<br>issuer bid (note 10)  | (1,124,850)   | (5,081)    | –                           | (577)                | –                                    | (5,658)         |
| Stock-based compensation<br>related to the stock options<br>(note 12 (a)) | –             | –          | 181                         | –                    | –                                    | 181             |
| Foreign currency translation<br>for foreign operations                    | –             | –          | –                           | –                    | 329                                  | 329             |
| Balance at September 30, 2010   | 21,722,798    | 98,101     | 4,594                       | 36,992               | 329                                  | 140,016         |
| Net profit for the period   | –             | –          | –                           | 3,332                | –                                    | 3,332           |
| Shares issued pursuant to the<br>exercise of stock options                | 1,298         | 2          | –                           | –                    | –                                    | 2               |
| Stock-based compensation<br>related to the stock options                  | –             | –          | 61                          | –                    | –                                    | 61              |
| Foreign currency translation<br>for foreign operations                    | –             | –          | –                           | –                    | (1,950)                              | (1,950)         |
| Balance at December 31, 2010  | 21,724,096    | 98,103     | 4,655                       | 40,324               | (1,621)                              | 141,461         |
| Net profit for the period   | –             | –          | –                           | 19,084               | –                                    | 19,084          |
| Shares issued pursuant to the<br>exercise of stock options                | 35,885        | 118        | –                           | –                    | –                                    | 118             |
| Stock-based compensation<br>related to the stock options<br>(note 12 (a)) | –             | –          | 286                         | –                    | –                                    | 286             |
| Foreign currency translation<br>for foreign operations                    | –             | –          | –                           | –                    | 2,214                                | 2,214           |
| Balance at September 30, 2011   | 21,759,981    | \$ 98,221  | \$ 4,941                    | \$ 59,408            | \$ 593                               | \$ 163,163      |

See accompanying notes to unaudited condensed consolidated interim financial statements.

# MIRANDA TECHNOLOGIES INC.

## Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010  
(In thousands of Canadian dollars)

|  | Three-month periods ended |                  | Nine-month periods ended |                  |
|--|---------------------------|------------------|--------------------------|------------------|
|  | September 30,             |                  | September 30,            |                  |
|  | 2011                      | 2010             | 2011                     | 2010             |
| <b>Operating activities:</b>   |                           |                  |                          |                  |
| Net profit for the period  | \$ 13,230                 | \$ 6,029         | \$ 19,084                | \$ 7,922         |
| Reconciliation of non-cash items:  |                           |                  |                          |                  |
| Depreciation of property, plant and equipment  | 1,071                     | 983              | 2,949                    | 2,859            |
| Amortization of intangible assets  | 1,368                     | 1,218            | 4,669                    | 3,348            |
| Stock-based compensation   | 108                       | 40               | 286                      | 181              |
| Net interest expense (income)  | 108                       | 2                | 403                      | (40)             |
| Income taxes (recovery) expense  | (102)                     | (256)            | 1,531                    | 640              |
| Effect of exchange rates on long-term monetary assets and liabilities                              | (449)                     | 143              | (264)                    | 93               |
| Effect of exchange rates on cash and cash equivalents  | (1,082)                   | (10)             | (1,254)                  | 108              |
|  | 14,252                    | 8,149            | 27,404                   | 15,111           |
| Changes in non-cash operating working capital items:   |                           |                  |                          |                  |
| Trade and other receivables  | (6,256)                   | (6,388)          | (7,339)                  | (1,292)          |
| Inventories  | (393)                     | (2,665)          | (1,044)                  | (5,569)          |
| Income taxes and tax credits receivable  | (1,209)                   | (3,105)          | (2,223)                  | (5,901)          |
| Prepaid expenses and other   | (118)                     | 312              | 38                       | 588              |
| Trade and other payables   | 4,110                     | 3,238            | 842                      | 4,106            |
| Provisions   | 426                       | 482              | 665                      | 168              |
| Deferred revenue   | 505                       | 996              | (325)                    | 441              |
| Cash generated from operating activities   | 11,317                    | 1,019            | 18,018                   | 7,652            |
| Income taxes paid  | (248)                     | (447)            | (1,005)                  | (692)            |
| <b>Net cash from operating activities</b>  | <b>11,069</b>             | <b>572</b>       | <b>17,013</b>            | <b>6,960</b>     |
| <b>Investing activities:</b>   |                           |                  |                          |                  |
| Proceeds from sale of temporary investments  | –                         | 14,991           | 4,999                    | 14,915           |
| Additions to property, plant and equipment   | (2,943)                   | (587)            | (5,165)                  | (2,712)          |
| Additions to intangible assets   | (100)                     | –                | (137)                    | –                |
| Business acquisition, excluding cash (note 6)  | –                         | (40,692)         | –                        | (40,692)         |
| Interest received  | 50                        | 57               | 93                       | 99               |
| <b>Net cash used in investing activities</b>   | <b>(2,993)</b>            | <b>(26,231)</b>  | <b>(210)</b>             | <b>(28,390)</b>  |
| <b>Financing activities:</b>   |                           |                  |                          |                  |
| Repayment of loans and borrowings  | (750)                     | (15)             | (8,391)                  | (18)             |
| Increase in loans and borrowings   | –                         | 25,000           | –                        | 25,000           |
| Proceeds from the exercise of share options  | 1                         | 17               | 118                      | 17               |
| Redemption of shares   | –                         | (3,069)          | –                        | (5,658)          |
| Interest paid  | (158)                     | (59)             | (496)                    | (59)             |
| <b>Net cash (used in) from financing activities</b>  | <b>(907)</b>              | <b>21,874</b>    | <b>(8,769)</b>           | <b>19,282</b>    |
| Effect of exchange rates on cash and cash equivalents  | 1,082                     | 10               | 1,254                    | (108)            |
| Effect of exchange rates on cash and cash equivalents related to translation of foreign operations | 525                       | –                | 292                      | –                |
| Change in cash and cash equivalents  | 8,776                     | (3,775)          | 9,580                    | (2,256)          |
| Cash and cash equivalents, beginning of period   | 31,290                    | 30,783           | 30,486                   | 29,264           |
| <b>Cash and cash equivalents, end of period</b>  | <b>\$ 40,066</b>          | <b>\$ 27,008</b> | <b>\$ 40,066</b>         | <b>\$ 27,008</b> |

See accompanying notes to unaudited condensed consolidated interim financial statements.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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## 1. Reporting entity:

Miranda Technologies Inc. (the "Company") is incorporated under Part 1A of the *Companies Act* (Québec). The Company is domiciled in Canada and its registered office is located at 3499 Douglas-B-Floréani, Montréal, Québec, H4S 2C6. The condensed consolidated interim financial statements of the Company comprise the Company and its subsidiaries (the "Company"). The Company is a worldwide provider of infrastructure, playout and monitoring systems for the television broadcast, cable, satellite and IPTV industry.

## 2. Basis of presentation:

### (a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These are the Company's third condensed consolidated interim financial statements prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, have been omitted or condensed. Accordingly, the condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements. As these condensed consolidated interim financial statements are for part of the period covered by the first IFRS consolidated annual financial statements, the Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The first date at which IFRS was applied was January 1, 2010 ("transition date"). In accordance with IFRS 1, the Company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retroactively applied all effective IFRS standards as at September 30, 2011, as required; and
- applied certain optional exemptions and certain mandatory exceptions as applicable for first-time IFRS adopters.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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## 2. Basis of presentation (continued):

### (a) Statement of compliance (continued):

The Company's consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

An explanation of how the transition from Canadian GAAP to IFRS as at the transition date has affected the reported financial position, financial performance and cash flows of the Company, including the mandatory exception and optional exemptions under IFRS 1, is provided in note 14.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 3, 2011.

### (b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the condensed consolidated statement of financial position:

- derivative financial instruments are measured at fair value; and
- liabilities for cash-settled share-based payment arrangements are measured at fair value.

### (c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except per share amounts.

### (d) Use of estimates and judgments:

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, contingent assets and liabilities, income and expenses during the reporting period. Consequently, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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## 2. Basis of presentation (continued):

### (d) Use of estimates and judgments (continued):

In preparing these condensed consolidated interim financial statements, the nature of significant judgements made by management applying the Company's accounting policies and the key sources of estimating uncertainties are expected to be the same as those to be applied in the first annual consolidated financial statements under IFRS.

The key judgements made in applying accounting policies that have the most significant effect on the amounts recognised in these condensed consolidated interim financial statements are related to the estimation of the fair value of the assets acquired and liabilities assumed for the OmniBus acquisition, the determination of the provision for inventory obsolescence as well as the evaluation and recoverability of the deferred tax assets and research and development tax credits. The Company uses its best estimate to determine which R&D expenses qualify for R&D tax credits and in what amounts. The Company recognizes the tax credits once it has reasonable assurance that they will be realized. Recorded tax credits are subject to review and approval by tax authorities and therefore, could be different from the amounts recorded.

Other areas of judgement and uncertainty relate to estimating the useful life of property, plant and equipment and intangible assets for the determination of depreciation and amortization expense, as well as the evaluation of the recoverability of property, plant and equipment, intangible assets and goodwill and the fair value of financial instruments.

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all periods presented in these condensed consolidated interim financial statements, and have been applied consistently by the Company's subsidiaries.

### (a) Basis of consolidation:

#### (i) Business combinations:

##### Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, the Company measures goodwill as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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### 3. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(i) Business combinations (continued):

Acquisitions prior to January 1, 2010

As part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognised under the Company's previous accounting framework, Canadian GAAP.

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(iii) Transactions eliminated upon consolidation:

All inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Inventories:

Inventories consist of raw materials, work in progress and finished goods. Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. The cost of inventories is based on the average cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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### 3. Significant accounting policies (continued):

(c) Property, plant and equipment:

(i) Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the assets until the asset is ready for use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income or expenses" in profit or loss.

(ii) Subsequent costs:

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then the component is depreciated separately.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

### 3. Significant accounting policies (continued):

#### (c) Property, plant and equipment (continued):

##### (iii) Depreciation (continued):

Depreciation is recognized in profit or loss on either a straight-line basis or a declining basis over the estimated useful lives of each part of an item of property, plant and equipment, as it is seen as most closely reflecting the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives and depreciation for the current and comparative periods are as follows:

| Asset                              | Method            | Period/Rate         |
|------------------------------------|-------------------|---------------------|
| Buildings and building components  | Straight-line     | 15 to 40 years      |
| Manufacturing equipment            | Declining balance | 20%                 |
| Computer equipment and software    | Declining balance | 30%                 |
| Research and development equipment | Declining balance | 20%                 |
| Office equipment                   | Declining balance | 20%                 |
| Leasehold improvements             | Straight-line     | Over the lease term |

Estimate for depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted prospectively, if appropriate.

#### (d) Intangible assets:

##### (i) Research and development:

Research expenditures undertaken with the prospect of gaining new scientific or technical knowledge and understanding, net of related investment tax credits, are expensed to profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred. Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses. At September 30, 2011, the Company had no capitalized development costs.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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### 3. Significant accounting policies (continued):

(d) Intangible assets (continued):

(ii) Other intangible assets:

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. These include technologies, customer relationships, brand names and contracts.

Purchased software that is not integral to the functionality of the related equipment is capitalized as part of intangible assets.

(iii) Subsequent expenditure:

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated brands, is recognized in profit or loss as incurred.

(iv) Amortization:

Amortization is calculated over the cost of the asset, less its residual value.

Amortization is recognized in profit and loss on either a straight-line or a declining balance basis over the estimated useful lives of the other intangible assets, from the date that they are available for use.

The estimated useful lives and amortization rate for the current and comparative periods are as follows:

| Intangible asset       | Method            | Period/Rate   |
|------------------------|-------------------|---------------|
| Technologies           | Straight-line     | 5 to 10 years |
| Customer relationships | Straight-line     | 5 to 10 years |
| Brand names            | Straight-line     | 20 years      |
| Contracts              | Straight-line     | 3 years       |
| Software               | Declining balance | 30%           |

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Estimates for amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted prospectively, if appropriate.

(e) Goodwill:

Goodwill is the residual amount of the consideration transferred over the net identifiable assets acquired in an acquisition.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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### 3. Significant accounting policies (continued):

(e) Goodwill (continued):

In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recognised under the Company's previous accounting framework, Canadian GAAP.

(f) Impairment:

(i) Non-derivative financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and the disappearance of an active market for a security.

Loans and receivables

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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### 3. Significant accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is reviewed. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually on November 30.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit ("group of units") on a pro rata basis.

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### 3. Significant accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets (continued):

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Income taxes:

Income taxes expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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### 3. Significant accounting policies (continued):

(g) Income taxes (continued):

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Foreign currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are translated to the functional currency at the exchange rate at that date. The foreign currency gain and loss on monetary items is the difference between the amortised costs in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

(ii) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting dates. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

When the settlement of a monetary item receivable or payable to a foreign operation is neither planned nor likely in the foreseeable future, and is considered to form part of a net investment in a foreign operation, the gain or loss resulting from the translation to Canadian dollar is recognized directly in other comprehensive income in the foreign currency translation reserve. When a foreign operation is disposed of, the cumulative amount in the translation reserve is reclassified to profit or loss as part of the gain or loss on disposal.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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### 3. Significant accounting policies (continued):

(i) Financial instruments:

(i) Non-derivative financial assets:

Non-derivative financial assets of the Company comprise cash and cash equivalents, temporary investments and trade and other receivables which are classified as loans and receivables.

The Company initially recognizes loans and receivables and deposits on the date that they originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company considers all cash and highly liquid investments, with a maturity of three months or less from the date of acquisition, to be cash and cash equivalents.

The Company considers all cash and highly liquid investments, with a maturity of greater than three months from the date of acquisition, to be temporary investments.

(ii) Non-derivative financial liabilities:

Non-derivative financial liabilities of the Company comprise loans and borrowings and trade and other payables are classified as other financial liabilities.

Loans and borrowings are recognized initially on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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### 3. Significant accounting policies (continued):

(i) Financial instruments (continued):

(ii) Non-derivative financial liabilities (continued):

#### Other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments:

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments have not been designated as a hedge of foreign currency risk and, therefore, are marked to market and the related asset or liability is presented in trade and other receivables and trade and other payables. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. The fair value of derivative financial instruments is estimated using period end market rates and reflects the amount that the Company would receive or pay if these instruments were closed out at these dates. In addition, the Company evaluated the creditworthiness of its counterparty of its derivative financial instruments. When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit and loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separated embedded derivatives are recognised immediately in profit and loss. No embedded derivative has been identified.

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### 3. Significant accounting policies (continued):

(i) Financial instruments (continued):

(iv) Share capital:

Common shares

Common shares are classified as equity. Incremental costs attributable to the issue of common shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, net of any tax effects, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

(j) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(ii) Short-term benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for an amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions:

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

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### 3. Significant accounting policies (continued):

(j) Employee benefits (continued):

(iii) Share-based payment transactions (continued):

The fair value of the amount payable to employees in respect of the non-dilutive restricted share unit ("RSU") plans, the non-dilutive deferred share unit ("DSU") plan and the non-dilutive stock appreciation right ("SAR") plan, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to the payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as financial expense in profit or loss.

Share-based payment arrangements in which the Company receives goods and services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

(k) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is possible that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense.

(i) Warranties:

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Asset retirement obligations:

In accordance with one of the Company's office leases, a provision for site restoration in respect of putting the premises back to its original state upon termination is required, and the related expense is recognized over the term of the office lease.

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### 3. Significant accounting policies (continued):

#### (k) Provisions (continued):

##### (iii) Onerous contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

##### (iv) Contingent liability:

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company; or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

#### (l) Revenue:

Revenue is derived primarily from the sale of equipment, software and services. The Company also enters into arrangements with multiple deliverables which are separated into units of accounting. These deliverables include sale of equipment, software and related services, such as training and commissioning.

##### (i) Sale of equipment:

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable and net of returns and exclude sales taxes. Revenue is recognized upon delivery of equipment, provided that title to the goods is transferred to the customer, that the significant risks and rewards of ownership have been transferred to the buyer, there are no significant uncertainties surrounding product acceptance, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, the amount of revenue can be measured reliably and collectability is reasonably assured.

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### 3. Significant accounting policies (continued):

#### (I) Revenue (continued):

##### (i) Sale of equipment (continued):

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of equipment, usually transfer occurs when the equipment is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port of the seller.

##### (ii) Software:

The Company provides software solutions that can be specifically customized to each customer. These contracts specify a fixed price for the license, development and installation of software solutions.

When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Company cannot measure the outcome of a contract reliably, revenue is recognised only to contract costs incurred, to the extent that such contracts costs are recoverable and contract costs are recognised in the period in which they are incurred. An expected loss on a contract is recognised immediately in profit or loss.

##### (iii) Related services:

Service revenue is recognized as services are performed. Amounts billed under contracts entered into with customers for services not yet rendered are recognized as deferred revenue.

##### Installation/Commissioning fees

Installation/commissioning fees are recognised as revenue upon completion of the installation, unless they are incidental to the sale of a product, in which case they are recognised when the goods are sold.

##### Training fees

Training fees are recognized as revenue upon completion of the training.

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### 3. Significant accounting policies (continued):

(I) Revenue (continued):

(iii) Related services:

#### After-sales services

After-sales support and product enhancement on the sale of software, are deferred and recognised as revenue over the period during which the service is performed. After-sales services are available to customers on software solutions which can be purchased annually for periods ranging from 3 to 5 years which provide 24-hours telephone support. After-sales revenue is recognised on a straight-line basis over the term of the agreement.

(iv) Multiple elements arrangements:

The Company enters into arrangements that may include the sale of a number of products and services, notably sale of equipment and software solutions, related services such as installation and development of customized software, training, commissioning and, after-sales services. In such cases, the Company separately accounts for each product or service according to the methods described when the following conditions are met:

- the delivered product or service has value to the customer on a stand-alone basis
- there is objective and reliable evidence of fair value of any undelivered product or service
- if the sale includes a general right of return relating to a delivered product or service, the delivery performance of any undelivered product or service is probable and substantially in the Company's control.

If there is objective and reliable evidence of fair value for all products and services in a sale, the total price of the arrangements is allocated to each product and service based on relative fair value. Otherwise, the Company first allocates a portion of the total price to any undelivered products and services based on their fair value and the remainder to the products and services that have been delivered.

If the conditions to account separately for each product or service are not met, the revenue is recognized on pro rata over the term of the customer agreement.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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### 3. Significant accounting policies (continued):

#### (m) Finance income and expenses:

Finance income comprises interest income on funds invested and changes in the fair value of the financial instruments at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial instruments at fair value through profit or loss and impairment losses recognized on financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Interests received are presented in the investing activities and interests paid in the financing activities in the condensed consolidated interim statement of cash flows.

#### (n) Earnings per share:

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is computed by dividing profit or loss by the weighted average shares outstanding during the period. Diluted earnings per share is computed similarly to basic earnings per share, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding share options were exercised and that the proceeds from such exercises, including unrecognized compensation costs of share-based compensation, were used to acquire of common shares at the average market price during the period.

# MIRANDA TECHNOLOGIES INC.

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### 3. Significant accounting policies (continued):

(o) Segment reporting:

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), including revenues and expenses that relate to transactions with any of the Company's other components. Segment information is presented in respect of the Company's business and geographical segments. The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Company's operations are reported in one segment: the television broadcast, cable, satellite and IPTV segment. The reporting structure reflects how the Company manages the business and how the Company classifies its operations for planning and measuring performance. Accordingly, the Company operates and manages its segment as one strategic business unit.

(p) Foreign currency translation reserve:

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies differ from the functional currency of the Company.

(q) New standards and interpretations not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the three-month and nine-month periods ended September 30, 2011, and have not been applied in preparing these condensed consolidated interim financial statements.

# MIRANDA TECHNOLOGIES INC.

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### 3. Significant accounting policies (continued):

(q) New standards and interpretations not yet adopted (continued):

The following standards and interpretations have been issued by the IASB and the IFRIC with effective dates relating to the annual periods starting on or after the effective dates as follows:

| <i>International Accounting Standards (IAS/IFRS)</i>      | <i>Effective Date</i> |
|---|-----------------------|
| IFRS 7, <i>Financial Instruments: Disclosures</i>         | January 1, 2012       |
| IFRS 9, <i>Financial Instruments</i>                      | January 1, 2013       |
| IFRS 10, <i>Consolidated Financial Statements</i>         | January 1, 2013       |
| IFRS 11, <i>Joint Arrangements</i>                        | January 1, 2013       |
| IFRS 12, <i>Disclosure of Interests in Other Entities</i> | January 1, 2013       |
| IFRS 13, <i>Fair Value Measurement</i>                    | January 1, 2013       |
| IAS 12, <i>Income Taxes</i>                               | January 1, 2012       |
| IAS 1, <i>Presentation of Financial Statements</i>        | January 1, 2013       |
| IAS 19, <i>Employee Benefits</i>                          | January 1, 2013       |

The amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7") increase the disclosure requirements for transactions involving transfers of financial assets.

IFRS 9 *Financial Instruments* ("IFRS 9") applies to the classification and measurement of financial assets and liabilities. It is the first of three phases of a project to develop standards to replace IAS 39, *Financial Instrument: Recognition and Measurement*, and was initiated in response to the crisis in financial markets.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10") establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11, *Joint Arrangements* ("IFRS 11") provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form as is currently the case. IFRS 11 replaces SIC-13, *Jointly Controlled Entities- Non-Monetary Contributions by Venturers* and IAS 31, *Interests in Joint Ventures*.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12") is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13, *Fair Value Measurements* ("IFRS 13") provides new guidance on fair value measurement and disclosure requirements.

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### 3. Significant accounting policies (continued):

(q) New standards and interpretations not yet adopted (continued):

The amendments to IAS 12, *Income Taxes* ("IAS 12") relate to the measurement of deferred taxes for investment property, property, plant and equipment and intangible assets carried at fair value.

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), which are effective for annual periods beginning on or after July 1, 2012, are to be applied retroactively. Early adoption is permitted. The amendments require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss.

The amendments to IAS 19, *Employee Benefits* ("IAS 19") relate to eliminating the corridor approach to recognizing actuarial gains and losses. Entities will also need to segregate changes in defined benefit obligation and in the fair value of plan assets into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefits liabilities (assets). The amendments also enhance disclosure about the risks arising from defined benefit plans. The amendments to IAS 19 must be applied retrospectively (with certain exceptions) for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not yet been determined.

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## 4. Determination of fair values:

Certain of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) Financial assets and liabilities:

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop its own assumptions.

The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the balance sheet dates due to the short-term maturity of those instruments (Level 2).

The Company determined that the fair value of its loans and borrowings correspond to their book value as a result of the variable interest rates associated with these liabilities (Level 2).

# MIRANDA TECHNOLOGIES INC.

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## 4. Determination of fair values (continued):

### (ii) Share-based payment transactions:

The fair values of the employee share options and non-dilutive share appreciation rights are measured based on the Black-Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option and/or right holder behaviour), expected dividends, and risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transaction are not taken into account in determining fair value.

## 5. Segment information:

The Company has reviewed its operations and determined that it operates in a single reportable operating segment, the television broadcast, cable, satellite and IPTV industry. The single reportable operating segment derives its revenue from the sale of hardware and software solutions, including related services such as installation / commissioning, training and after-sales services.

The details of revenue by geography are provided below:

|                 | Three-month periods ended<br>September 30, |           | Nine-month periods ended<br>September 30, |           |
|-----------------|--|-----------|---|-----------|
| Revenue         | 2011                                       | 2010      | 2011                                      | 2010      |
| Canada          | \$ 5,216                                   | \$ 2,535  | \$12,873                                  | \$ 6,695  |
| United States   | 16,534                                     | 15,535    | 49,151                                    | 38,594    |
| United Kingdom  | 5,062                                      | 2,027     | 13,498                                    | 5,602     |
| Other Countries | 22,003                                     | 17,652    | 56,271                                    | 47,897    |
|                 | \$ 48,815                                  | \$ 37,749 | \$131,793                                 | \$ 98,788 |

There are no individual countries within Other Countries that accounted for more than 10% of revenue for the three-month and nine-month periods ended September 30, 2011 and 2010.

# MIRANDA TECHNOLOGIES INC.

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## 5. Segment information (continued):

The details of long-lived assets and goodwill by geography are provided below:

|                 | September 30,<br>2011               |                      |                  |
|-----------------|-------------------------------------|----------------------|------------------|
|                 | Property,<br>plant and<br>equipment | Intangible<br>assets | Goodwill         |
| Canada          | \$ 20,359                           | \$ 696               | \$ 3,933         |
| United States   | 7,536                               | 17,655               | 21,459           |
| United Kingdom  | 5,147                               | 17,580               | 19,926           |
| Other Countries | 75                                  | —                    | —                |
|                 | <b>\$ 33,117</b>                    | <b>\$ 35,931</b>     | <b>\$ 45,318</b> |

|                 | December 31,<br>2010                |                      |                  |
|-----------------|-------------------------------------|----------------------|------------------|
|                 | Property,<br>plant and<br>equipment | Intangible<br>assets | Goodwill         |
| Canada          | \$ 19,946                           | \$ 1,349             | \$ 3,933         |
| United States   | 7,875                               | 19,867               | 21,696           |
| United Kingdom  | 3,018                               | 18,213               | 18,590           |
| Other Countries | 84                                  | —                    | —                |
|                 | <b>\$ 30,923</b>                    | <b>\$ 39,429</b>     | <b>\$ 44,219</b> |

# MIRANDA TECHNOLOGIES INC.

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## 5. Segment information (continued):

|                 |                                     |                      | January 1,<br>2010 |
|-----------------|-------------------------------------|----------------------|--------------------|
|                 | Property,<br>plant and<br>equipment | Intangible<br>assets | Goodwill           |
| Canada          | \$ 20,526                           | \$ 3,226             | \$ 3,933           |
| United States   | 7,931                               | 17,734               | 16,629             |
| United Kingdom  | 539                                 | –                    | –                  |
| Other Countries | 113                                 | –                    | –                  |
|                 | \$ 29,109                           | \$ 20,960            | \$ 20,562          |

Revenue is attributed to the geographic region based on the location of the customer. Segmented assets are based on the geographical location of the assets. No customer accounted for more than 10% of total revenue for the three-month and nine-month periods ended September 30, 2011 and 2010.

## 6. Acquisition:

On September 8, 2010, the Company acquired 100% of the outstanding shares of OmniBus Systems Limited (“OmniBus”), a privately-held company specializing in IT-based media management and delivery solutions for television and Internet broadcasters, located in Loughborough, United Kingdom.

The net consideration transferred was \$40,692, comprising \$15,692 of cash and \$25,000 of loans and borrowings.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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## 6. Acquisition (continued):

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

|                               |    |        |
|-------------------------------|----|--------|
| Current assets:               |    |        |
| Trade and other receivables   | \$ | 2,407  |
| Inventories                   |    | 99     |
| Prepaid expenses and other    |    | 587    |
|                               |    | <hr/>  |
|                               |    | 3,093  |
| Property, plant and equipment |    | 3,287  |
| Intangible assets             |    | 24,420 |
| Goodwill                      |    | 24,477 |
| Deferred tax assets           |    | 1,062  |
|                               |    | <hr/>  |
| Total assets                  |    | 56,339 |
| Current liabilities:          |    |        |
| Trade and other payables      |    | 4,279  |
| Deferred revenue              |    | 2,564  |
| Loans and borrowings          |    | 98     |
|                               |    | <hr/>  |
|                               |    | 6,941  |
| Deferred revenue              |    | 296    |
| Loans and borrowings          |    | 1,091  |
| Deferred tax liabilities      |    | 7,319  |
|                               |    | <hr/>  |
| Total liabilities             |    | 15,647 |
|                               |    | <hr/>  |
| Total net identifiable assets | \$ | 40,692 |

The Company finalized the valuation of certain intangible assets and other assets and liabilities assumed at the date of acquisition during the first quarter of 2011. The fair value of intangible assets: technologies, customer relationships and contracts has been determined to be \$15,240, \$7,970 and \$1,210, respectively and there were no changes to these amounts previously reported under Canadian GAAP.

None of the goodwill recognised is expected to be deductible for income tax purposes.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

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## 7. Income taxes:

Income taxes expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The difference in effective tax rate compared to the Company's statutory tax rate was caused mainly by the following factors:

|   | Three-month periods ended |          | Nine-month periods ended |          |
|---|---------------------------|----------|--------------------------|----------|
|   | September 30,             |          | September 30,            |          |
|   | 2011                      | 2010     | 2011                     | 2010     |
| Income taxes based on the combined federal and provincial (Québec) basic income tax rate of 28.4% in 2011 and 29.9% in 2010 | \$ 3,728                  | \$ 1,726 | \$ 5,855                 | \$ 2,560 |
| Changes due to the following items:   |                           |          |                          |          |
| Differences in tax rates in subsidiaries  | (185)                     | 158      | (44)                     | 388      |
| Non-taxable tax credits   | (55)                      | (43)     | (174)                    | (149)    |
| Non-taxable foreign exchange (gains) losses   | (866)                     | 72       | (780)                    | 392      |
| Other <sup>(1)</sup>  | (2,843)                   | (2,072)  | (3,433)                  | (2,464)  |
| Permanent differences and other   | 119                       | (97)     | 107                      | (87)     |
| Income taxes (recovery) expense   | \$ (102)                  | \$ (256) | \$ 1,531                 | \$ 640   |

<sup>(1)</sup> Comprises adjustments related to the resolution of matters pertaining to prior years, including recognized tax benefits.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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## 8. Goodwill:

The changes in carrying amount of goodwill are as follows for the year ended December 31, 2010 and the period ended September 30, 2011:

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|   | Cost      |
|---|-----------|
| Balance, January 1, 2010                      | \$ 20,562 |
| 2010 acquisition                              | 24,477    |
| Effect of movements in foreign exchange rates | (820)     |
| Balance, December 31, 2010                    | 44,219    |
| Effect of movements in foreign exchange rates | 1,099     |
| Balance, September 30, 2011                   | \$ 45,318 |

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# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

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## 9. Loans and borrowings:

The following note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost:

|  | September 30,<br>2011 | December 31,<br>2010 | January 1,<br>2010 |
|--|-----------------------|----------------------|--------------------|
| <b>Total liabilities:</b>  |                       |                      |                    |
| \$25,000 term loan, bearing interest at prime plus 0.40%, payable monthly, maturing in September 2013 with the option to repay anytime prior to maturity without penalties | \$ 17,000             | \$ 24,250            | \$ –               |
| Bond payable in the amount of US\$129, bearing interest at 7.55%, fully repaid in December 2010  | –                     | –                    | 145                |
| Term loan in the amount of £900, bearing interest at UK base rate plus 2.00%, fully repaid in May 2011   | –                     | 1,120                | –                  |
|  | <u>17,000</u>         | <u>25,370</u>        | <u>145</u>         |
| <b>Current liabilities:</b>  |                       |                      |                    |
| Current portion of term loan   | 3,000                 | 3,000                | –                  |
| Current portion of bond payable  | –                     | –                    | 9                  |
| Current portion of UK term loan  | –                     | 119                  | –                  |
|  | <u>3,000</u>          | <u>3,119</u>         | <u>9</u>           |
| <b>Non-current liabilities</b>   | <b>\$ 14,000</b>      | <b>\$ 22,251</b>     | <b>\$ 136</b>      |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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## 10. Capital and reserves:

The Company only has no par value common shares issued and outstanding.

### Normal course issuer bid

On November 26, 2010, the Company initiated a normal course issuer bid ("NCIB" or "2010/2011 NCIB") program permitting it to purchase up to 1,694,937 or approximately 8% of the Company's common shares issued and outstanding for cancellation. The 2010/2011 NCIB program is for one year and will end on November 25, 2011 or on such earlier date as the Company has purchased the maximum shares permissible. As at September 30, 2011, no common shares have been purchased under the program.

On August 26, 2009, the Company initiated a NCIB (or "2009/2010 NCIB") program permitting it to purchase up to 1,799,662 or approximately 8% of the Company's common shares program issued and outstanding for cancellation. The 2009/2010 NCIB program was for one year and ended on August 25, 2010. A total of 1,124,850 common shares were purchased for a total cash consideration of \$5,658 at an average cost of \$5.03 per common share. The cash consideration of \$5,658 was allocated to retained earnings and share capital in the amount of \$577 and \$5,081, respectively, in 2010.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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## 11. Earnings per share:

### Basic earnings per share

The calculation of basic earnings per share for the three-month and nine-month periods ended September 30, 2011 was based on the profit attributable to common shareholders of \$13,230 and \$19,084, respectively (\$6,029 and \$7,922, respectively in 2010), and a weighted average number of common shares outstanding of 21,759,620 and 21,741,498, respectively (21,931,976 and 22,498,720, respectively in 2010), calculated as follows:

Basic weighted average number of common shares at September 30, 2011 and 2010

|  | Three-month periods ended |            | Nine-month periods ended |            |
|--|---------------------------|------------|--------------------------|------------|
|  | September 30,             |            | September 30,            |            |
|  | 2011                      | 2010       | 2011                     | 2010       |
| Number of common shares at beginning of period                     | 21,759,544                | 22,300,848 | 21,724,096               | 22,837,648 |
| Effect of share options exercised                                  | 76                        | 3,696      | 17,402                   | 1,245      |
| Effect of shares redeemed pursuant to the normal course issuer bid | –                         | (372,568)  | –                        | (340,173)  |
| Weighted average number of common shares at end of period          | 21,759,620                | 21,931,976 | 21,741,498               | 22,498,720 |

### Diluted earnings per share

Diluted weighted average number of common shares at September 30, 2011 and 2010

|   | Three-month periods ended |            | Nine-month periods ended |            |
|---|---------------------------|------------|--------------------------|------------|
|   | September 30,             |            | September 30,            |            |
|   | 2011                      | 2010       | 2011                     | 2010       |
| Weighted average number of basic common shares at the end of period           | 21,759,620                | 21,931,976 | 21,741,498               | 22,498,720 |
| Dilutive effect:  |                           |            |                          |            |
| Employee share options  | 138,953                   | 160,007    | 152,061                  | 152,214    |
| Weighted average number of diluted common shares outstanding at end of period | 21,898,573                | 22,091,983 | 21,893,559               | 22,650,934 |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
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## 12. Share-based payment arrangements:

At September 30, 2011, the Company has the following share-based payment arrangements.

The Company established a share option plan, three non-dilutive RSU plans, a non-dilutive DSU plan and a non-dilutive SAR plan to attract, retain and provide an incentive to the employees, directors, officers and consultants.

### (a) Share option plan:

The following table summarizes information on share options outstanding at September 30, 2011 and December 31, 2010:

|                                       | September 30, 2011   |  | December 31, 2010    |  |
|---------------------------------------|----------------------|--|----------------------|--|
|                                       | Number<br>of options | Weighted<br>average<br>exercise<br>price | Number<br>of options | Weighted<br>average<br>exercise<br>price |
| Balance, beginning of<br>period       | 1,069,912            | \$ 8.97                                  | 1,059,901            | \$ 10.07                                 |
| Granted                               | 215,000              | 6.71                                     | 147,500              | 5.33                                     |
| Exercised                             | (35,885)             | 3.28                                     | (11,298)             | 1.71                                     |
| Cancelled                             | (315,750)            | 15.25                                    | (126,191)            | 14.64                                    |
| Balance, end of period                | 933,277              | \$ 6.54                                  | 1,069,912            | \$ 8.97                                  |
| Options exercisable,<br>end of period | 626,610              | \$ 6.65                                  | 916,579              | \$ 9.53                                  |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
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## 12. Share-based payment arrangements (continued):

### (a) Share option plan (continued):

The vested share options at September 30, 2011 are presented in the table below:

| Exercise price | Number of outstanding options | Number of vested options | Residual life (years) |
|----------------|-------------------------------|--------------------------|-----------------------|
| \$ 1.71        | 156,277                       | 156,277                  | 1.8                   |
| \$ 3.96        | 30,000                        | 30,000                   | 3.5                   |
| \$ 3.96        | 160,000                       | 160,000                  | 3.8                   |
| \$ 14.00       | 147,000                       | 147,000                  | 0.4                   |
| \$ 9.64        | 25,000                        | 25,000                   | 0.7                   |
| \$ 9.28        | 50,000                        | 50,000                   | 1.4                   |
| \$ 7.93        | 25,000                        | 25,000                   | 1.7                   |
| \$ 5.55        | 100,000                       | 33,333                   | 3.9                   |
| \$ 5.01        | 25,000                        | –                        | 4.1                   |
| \$ 6.76        | 190,000                       | –                        | 4.5                   |
| \$ 6.30        | 25,000                        | –                        | 4.9                   |
|                | 933,277                       | 626,610                  |                       |

Compensation expense charged against income was \$108 (\$40 in 2010) and \$286 (\$181 in 2010) for the three-month and the nine-month periods ended September 30, 2011. The offsetting credit has been recorded as contributed surplus.

The fair value of the share options granted during the nine-month periods ended September 30, 2011 and 2010 were estimated using the Black-Scholes option pricing model using the following assumptions:

|  | Nine-month periods ended<br>September 30, |               |
|--|---|---------------|
|  | 2011                                      | 2010          |
| Risk-free interest rate                                  | 1.48% - 1.77%                             | 1.04% - 2.03% |
| Expected life  | 4.5 years                                 | 4.5 years     |
| Expected volatility                                      | 42% - 43%                                 | 45%           |
| Weighted-average fair value of each option at grant date | \$ 2.44                                   | \$ 2.08       |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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## 12. Share-based payment arrangements (continued):

(b) Non-dilutive restricted share unit plans:

(i) Plan A:

The changes in the outstanding RSU - Plan A for the year ended December 31, 2010 and the nine-month period ended September 30, 2011 were as follows:

|                             | Number of<br>outstanding<br>units | Number<br>vested<br>units | Residual<br>life<br>(years) |
|-----------------------------|-----------------------------------|---------------------------|-----------------------------|
| Balance, January 1, 2010    | 137,000                           | –                         |                             |
| Cancelled                   | (8,000)                           | –                         |                             |
| Balance, December 31, 2010  | 129,000                           | –                         |                             |
| Cancelled                   | (4,500)                           | –                         |                             |
| Balance, September 30, 2011 | 124,500                           | –                         | 0.4                         |

The compensation income related to the RSU - Plan A was \$62 (\$40 of compensation expense in 2010) and compensation expense was \$251 (\$91 in 2010) for the three-month and the nine-month periods ended September 30, 2011.

At September 30, 2011, the total liability related to RSU - Plan A was \$741 (\$490 at December 31, 2010) and is included in trade and other payables (long-term other payables in 2010).

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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(In thousands of Canadian dollars, except share and per share amounts)

## 12. Share-based payment arrangements (continued):

(b) Non-dilutive restricted share unit plans (continued):

(ii) Plan B:

The changes in the outstanding RSU - Plan B for the year ended December 31, 2010 and the nine-month period ended September 30, 2011 were as follows:

|                             | Number of<br>outstanding<br>units | Number<br>vested<br>units | Residual<br>life<br>(years) |
|-----------------------------|-----------------------------------|---------------------------|-----------------------------|
| Balance, January 1, 2010    | 89,057                            | –                         |                             |
| Redeemed                    | (20,415)                          | –                         |                             |
| Balance, December 31, 2010  | 68,642                            | –                         |                             |
| Granted                     | –                                 | –                         |                             |
| Balance, September 30, 2011 | 68,642                            | –                         | 0.4                         |

The compensation income related to the RSU - Plan B was \$35 (\$4 in 2010) and compensation expense was \$65 (\$1 of compensation income in 2010) for the three-month period and the nine-month periods ended September 30, 2011.

At September 30, 2011, the total liability related to RSU - Plan B was \$441 (\$376 at December 31, 2010) and is included in trade and other payables (in trade and other payables and long-term other payables in 2010).

(iii) Plan C:

The changes in the outstanding RSU - Plan C for the year ended December 31, 2010 and the nine-month period ended September 30, 2011 were as follows:

|                             | Number of<br>outstanding<br>units | Number<br>vested<br>units | Residual<br>life<br>(years) |
|-----------------------------|-----------------------------------|---------------------------|-----------------------------|
| Balance, January 1, 2010    | –                                 | –                         |                             |
| Granted                     | 7,500                             | –                         |                             |
| Balance, December 31, 2010  | 7,500                             | –                         |                             |
| Granted                     | –                                 | –                         |                             |
| Balance, September 30, 2011 | 7,500                             | –                         | 2.0                         |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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## 12. Share-based payment arrangements (continued):

(b) Non-dilutive restricted share unit plans (continued):

(iii) Plan C (continued):

The compensation expenses related to the RSU - Plan C was \$3 (\$1 in 2010) and \$13 (\$1 in 2010) for the three-month and the nine-month periods ended September 30, 2011.

At September 30, 2011, the total liability related to RSU - Plan C was \$14 (\$1 at December 31, 2010) and is included in long-term other payables.

(c) Non-dilutive deferred share unit plan:

The changes in the outstanding DSU for the year ended December 31, 2010 and the nine-month period ended September 30, 2011 was as follows:

---

|                             | Number of<br>units |
|-----------------------------|--------------------|
| Balance, January 1, 2010    | 62,281             |
| Granted                     | 38,760             |
| Balance, December 31, 2010  | 101,041            |
| Granted                     | -                  |
| Balance, September 30, 2011 | 101,041            |

---

The compensation income related to the DSU plan was \$89 (\$7 of compensation expense in 2010) and compensation expense was \$118 (\$31 of compensation income in 2010) for the three-month and the nine-month periods ended September 30, 2011.

At September 30, 2011, the total liability related to DSU plan was \$674 (\$556 at December 31, 2010) and is included in trade and other payables.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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## 12. Share-based payment arrangements (continued):

(d) Non-dilutive share appreciation right plan:

The following table summarizes information on share appreciation rights outstanding at September 30, 2011 and at December 31, 2010:

|                              | September 30, 2011 |                                 | December 31, 2010 |                                 |
|------------------------------|--------------------|---------------------------------|-------------------|---------------------------------|
|                              | Number of rights   | Weighted average exercise price | Number of rights  | Weighted average exercise price |
| Balance, beginning of period | 225,000            | \$ 4.68                         | –                 | \$ –                            |
| Granted                      | 94,000             | 6.76                            | 225,000           | 4.68                            |
| Exercised                    | (8,333)            | 4.68                            | –                 | –                               |
| Cancelled                    | (26,667)           | 5.46                            | –                 | –                               |
| Balance, end of period       | 284,000            | \$ 5.30                         | 225,000           | \$ 4.68                         |

The vested SARs at September 30, 2011 are presented in the table below:

| Exercise price | Number of outstanding rights | Number vested rights | Residual life (years) |
|----------------|------------------------------|----------------------|-----------------------|
| \$ 4.68        | 200,000                      | 67,667               | 3.4                   |
| \$ 6.76        | 84,000                       | –                    | 4.4                   |
|                | 284,000                      | 67,667               |                       |

The compensation income related to the SAR plan was \$128 (\$65 of compensation expense in 2010) and compensation expense was \$256 (\$142 in 2010) for the three-month and the nine-month periods ended September 30, 2011.

At September 30, 2011, the total liability related to the SAR plan was \$508 (\$252 at December 31, 2010) and is included in trade and other payables and long-term other payables (in long-term other payables in 2010).

At September 30, 2011, the Company paid \$17 (nil in 2010) resulting from the exercise of SAR plan.

# MIRANDA TECHNOLOGIES INC.

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## 12. Share-based payment arrangements (continued):

(d) Non-dilutive stock appreciation right plan (continued):

The fair value of the SARs granted during the nine-month periods ended September 30, 2011 and 2010 were estimated using the Black-Scholes option pricing model using the following assumptions:

|   | Nine-month periods ended |           |
|---|--------------------------|-----------|
|   | September 30,            |           |
|   | 2011                     | 2010      |
| Risk-free interest rate                                 | 1.77%                    | 2.03%     |
| Expected life   | 4.5 years                | 4.5 years |
| Expected volatility                                     | 42%                      | 45%       |
| Weighted average fair value of each right at grant date | \$ 2.46                  | \$ 1.85   |

## 13. Key management personnel compensation:

The key management personnel of the Company are the members of Board of Directors and certain officers which are the chief operating decision makers ("CODM"). They control 5% of the voting shares of the Company.

The CODM participate in the Company's share option plan, RSU plans, DSU plan and SAR plan (see note 12 (a) to (d)).

Key management personnel compensation is comprised of the following for the three-month and the nine-month periods ended September 30, 2011 and 2010:

|                                  | Three-month periods ended |        | Nine-month periods ended |          |
|----------------------------------|---------------------------|--------|--------------------------|----------|
|                                  | September 30,             |        | September 30,            |          |
|                                  | 2011                      | 2010   | 2011                     | 2010     |
| Short-term benefits              | \$ 776                    | \$ 755 | \$ 2,385                 | \$ 2,136 |
| Share-based compensation expense | (185)                     | 138    | 590                      | 349      |
|                                  | \$ 591                    | \$ 893 | \$ 2,975                 | \$ 2,485 |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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## 14. Transition to IFRS:

As stated in note 2(a), these are the Company's third condensed consolidated interim financial statements prepared in accordance with IFRS. The Company has applied IFRS 1 and the accounting policies set out in note 3 have been applied in preparing the condensed consolidated interim financial statements for the three-month and the nine-month periods ended September 30, 2011, the comparative information presented in these condensed consolidated interim financial statements for both the three-month and the nine-month periods ended September 30, 2010 and the year-ended December 31, 2010, and in the preparation of an opening IFRS consolidated statement of financial position at January 1, 2010, which is the Company's date of transition.

In preparing these condensed consolidated interim financial statements in accordance with IFRS 1, the Company applied the mandatory exceptions and certain of the optional exemptions from full retroactive application of IFRS.

The Company elected to apply the following optional exemptions from full retroactive application:

(i) Business combination:

The Company has elected not to apply IFRS 3, *Business Combinations* ("IFRS 3") retrospectively to business combinations that occurred prior to January 1, 2010 (the date of transition to IFRS). Accordingly, the Company has continued with the same accounting treatment of the business combinations under Canadian GAAP. The application of the exemption is detailed in note 14(c) below.

(ii) Borrowing costs:

The Company has elected to apply the transitional provisions of IAS 23, *Borrowing Costs* ("IAS 23") to qualifying assets that occurred since the date of transition to IFRS. The application is detailed in note 14(d) below.

(iii) Share-based payment:

The Company has elected to apply the share-based payment exemption. It applied IFRS 2, *Share-based Payment* ("IFRS 2") from January 1, 2010 to those stock options that were issued after November 7, 2002 but that had not vested by January 1, 2010. The application of the exemption is detailed in note 14(g) below.

(iv) Designation of financial assets and financial liabilities:

The Company has elected to re-designate cash and cash equivalents and temporary investments from held-for-trading category to loans and receivables.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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## **14. Transition to IFRS (continued):**

As required by IFRS 1, estimates made under IFRS at the date of transition must be consistent with estimates made for the same date under Canadian GAAP (its previous GAAP), unless there is evidence that those estimates were in error.

In preparing its opening IFRS consolidated statement of financial position, the Company has adjusted amounts reported previously in the consolidated financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from previous GAAP to IFRS has affected the Company's consolidated financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

# MIRANDA TECHNOLOGIES INC.

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Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

## 14. Transition to IFRS (continued):

### Reconciliation of equity

| September 30, 2010                               |                             |                   |                          |                                |                   |
|--|-----------------------------|-------------------|--------------------------|--------------------------------|-------------------|
|  | Note                        | Canadian<br>GAAP  | IFRS<br>adjust-<br>ments | IFRS<br>reclassi-<br>fications | IFRS              |
| <b>Assets</b>                                    |                             |                   |                          |                                |                   |
| Current assets                                   |                             |                   |                          |                                |                   |
| Cash and cash equivalents                        |                             | \$ 27,008         | \$ –                     | \$ –                           | \$ 27,008         |
| Temporary investments                            | (c)                         | 4,990             | (1)                      | –                              | 4,989             |
| Trade and other receivables                      |                             | 29,026            | –                        | 274                            | 29,300            |
| Inventories                                      |                             | 20,180            | –                        | –                              | 20,180            |
| Income taxes and tax credits receivable          |                             | 3,741             | 17                       | –                              | 3,758             |
| Prepaid expenses and other                       | (e)                         | 1,561             | 88                       | –                              | 1,649             |
| Deferred tax assets                              |                             | 491               | –                        | (491)                          | –                 |
|  |                             | 86,997            | 104                      | (217)                          | 86,884            |
| Tax credits receivable                           |                             | 9,756             | –                        | –                              | 9,756             |
| Property, plant and equipment                    | (d), (e)                    | 33,188            | (986)                    | (711)                          | 31,491            |
| Intangible assets                                |                             | 41,507            | –                        | 711                            | 42,218            |
| Goodwill   | (c)                         | 48,300            | (3,072)                  | –                              | 45,228            |
| Deferred tax assets                              | (e), (h)                    | –                 | –                        | 404                            | 404               |
| <b>Total assets</b>                              |                             | <b>\$ 219,748</b> | <b>\$ (3,954)</b>        | <b>\$ 187</b>                  | <b>\$ 215,981</b> |
| <b>Liabilities and Equity</b>                    |                             |                   |                          |                                |                   |
| Current liabilities                              |                             |                   |                          |                                |                   |
| Trade and other payables                         | (f)                         | \$ 26,303         | \$ (2,516)               | \$ (2,946)                     | \$ 20,841         |
| Provisions                                       | (c), (e)                    | –                 | 764                      | 1,534                          | 2,298             |
| Deferred revenue                                 | (c)                         | 5,088             | 610                      | –                              | 5,698             |
| Income taxes payable                             |                             | 1,130             | –                        | –                              | 1,130             |
| Loans and borrowings                             |                             | 3,109             | –                        | –                              | 3,109             |
|  |                             | 35,630            | (1,142)                  | (1,412)                        | 33,076            |
| Other payables                                   | (f)                         | –                 | 86                       | 749                            | 835               |
| Provisions                                       | (c), (e)                    | –                 | (63)                     | 937                            | 874               |
| Deferred revenue                                 | (c)                         | 3,510             | 13                       | –                              | 3,523             |
| Loans and borrowings                             |                             | 23,218            | –                        | –                              | 23,218            |
| Deferred tax liabilities                         | (c), (d), (e), (f), (h)     | 17,779            | (3,253)                  | (87)                           | 14,439            |
| <b>Total liabilities</b>                         |                             | <b>80,137</b>     | <b>(4,359)</b>           | <b>187</b>                     | <b>75,965</b>     |
| <b>Equity</b>                                    |                             |                   |                          |                                |                   |
| Share capital                                    | (i)                         | 98,101            | –                        | –                              | 98,101            |
| Contributed surplus                              | (g)                         | 4,661             | (67)                     | –                              | 4,594             |
| Retained earnings                                | (c),(d), (e), (f), (g), (h) | 36,502            | 490                      | –                              | 36,992            |
| Accumulated other comprehensive<br>Income (loss) | (c)                         | 347               | (18)                     | –                              | 329               |
| <b>Total equity</b>                              |                             | <b>139,611</b>    | <b>405</b>               | <b>–</b>                       | <b>140,016</b>    |
| <b>Total liabilities and equity</b>              |                             | <b>\$ 219,748</b> | <b>\$ (3,954)</b>        | <b>\$ 187</b>                  | <b>\$ 215,981</b> |

# MIRANDA TECHNOLOGIES INC.

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(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

## 14. Transition to IFRS (continued):

Reconciliation of comprehensive income for the three-month period ended September 30, 2010

|   | Note                       | Canadian<br>GAAP | IFRS<br>adjust-<br>ments | IFRS<br>reclassi-<br>fications | IFRS      |
|---|----------------------------|------------------|--------------------------|--------------------------------|-----------|
| Revenue   |                            | \$ 37,749        | \$ –                     | \$ –                           | \$ 37,749 |
| Cost of sales   | (e), (f), (g)              | 15,723           | (23)                     | 8                              | 15,708    |
| Gross profit  |                            | 22,026           | 23                       | (8)                            | 22,041    |
| Selling, general and<br>administrative expenses                                     | (c), (d),<br>(e), (f), (g) | 11,152           | 829                      | 681                            | 12,662    |
| Research and development<br>expenses, net of tax credits                            | (f), (g)                   | 2,403            | 16                       | 667                            | 3,086     |
| Other expenses (income)   |                            | 1,884            | –                        | (1,884)                        | –         |
| Results from operating activities   |                            | 6,587            | (822)                    | 528                            | 6,293     |
| Finance income  | (e), (f)                   | –                | (17)                     | (135)                          | (152)     |
| Finance costs   | (e)                        | –                | 9                        | 663                            | 672       |
| Net finance (income) expense  |                            | –                | (8)                      | 528                            | 520       |
| Profit (loss) before income tax   |                            | 6,587            | (814)                    | –                              | 5,773     |
| Income taxes<br>recovery  | (c), (d),<br>(e), (f), (h) | (45)             | (211)                    | –                              | (256)     |
| Net profit for the period   |                            | 6,632            | (603)                    | –                              | 6,029     |
| Other comprehensive (income) loss:  |                            |                  |                          |                                |           |
| Foreign currency translation<br>differences for foreign<br>operations, net of taxes | (c)                        | (347)            | 18                       | –                              | (329)     |
| Total comprehensive income (loss)<br>for the period                                 | (c), (d),<br>(e), (f), (h) | \$ 6,979         | \$ (621)                 | \$ –                           | \$ 6,358  |
| Earnings per share:   |                            |                  |                          |                                |           |
| Basic   |                            | \$ 0.30          |                          |                                | \$ 0.27   |
| Diluted   |                            | 0.30             |                          |                                | 0.27      |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
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## 14. Transition to IFRS (continued):

Reconciliation of comprehensive income for the nine-month period ended September 30, 2010

|   | Note                       | Canadian<br>GAAP | IFRS<br>adjust-<br>ments | IFRS<br>reclassi-<br>fications | IFRS      |
|---|----------------------------|------------------|--------------------------|--------------------------------|-----------|
| Revenue   |                            | \$ 98,788        | \$ –                     | \$ –                           | \$ 98,788 |
| Cost of sales   | (e), (f), (g)              | 40,674           | (74)                     | 32                             | 40,632    |
| Gross profit  |                            | 58,114           | 74                       | (32)                           | 58,156    |
| Selling, general and administrative expenses                                  | (c), (d),<br>(e), (f), (g) | 33,248           | 885                      | 1,914                          | 36,047    |
| Research and development expenses, net of tax credits                         | (f), (g)                   | 10,521           | 41                       | 1,804                          | 12,366    |
| Other expenses (income)   |                            | 4,965            | –                        | (4,965)                        | –         |
| Results from operating activities   |                            | 9,380            | (852)                    | 1,215                          | 9,743     |
| Finance income  | (e), (f)                   | –                | (43)                     | (1,456)                        | (1,499)   |
| Finance costs   | (e)                        | –                | 9                        | 2,671                          | 2,680     |
| Net finance (income) expense  |                            | –                | (34)                     | 1,215                          | 1,181     |
| Profit (loss) before income taxes   |                            | 9,380            | (818)                    | –                              | 8,562     |
| Income tax expense (recovery)   | (c), (d),<br>(e), (f), (h) | 948              | (308)                    | –                              | 640       |
| Net profit for the period   |                            | 8,432            | (510)                    | –                              | 7,922     |
| Other comprehensive (income) loss:  |                            |                  |                          |                                |           |
| Foreign currency translation differences for foreign operations, net of taxes | (c)                        | (347)            | 18                       | –                              | (329)     |
| Total comprehensive income (loss) for the period                              | (c), (d),<br>(e), (f), (h) | \$ 8,779         | \$ (528)                 | \$ –                           | \$ 8,251  |
| Earnings per share:   |                            |                  |                          |                                |           |
| Basic   |                            | \$ 0.37          |                          |                                | \$ 0.35   |
| Diluted   |                            | 0.37             |                          |                                | 0.35      |

There are no material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows under Canadian GAAP.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
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## 14. Transition to IFRS (continued):

Notes to the reconciliations:

### (a) Reconciliation of equity:

|  | September 30,<br>2010 |
|--|-----------------------|
| Equity under Canadian GAAP                               | \$ 139,611            |
| Adjustments:   |                       |
| Business combination                                     | (595)                 |
| Property, plant and equipment and borrowing costs        | (779)                 |
| Provisions, contingent liabilities and contingent assets | 119                   |
| Share-based payments                                     | (113)                 |
| Income taxes   | 1,773                 |
| Equity under IFRS  | \$ 140,016            |

### (b) Reconciliation of comprehensive income:

|  | Three-month<br>period ended<br>September 30,<br>2010 | Nine-month<br>period ended<br>September 30,<br>2010 |
|--|--|---|
| Comprehensive income under Canadian GAAP                 | \$ 6,979   | \$ 8,779  |
| Adjustments:   |  |   |
| Business combination                                     | (595)  | (595)   |
| Property, plant and equipment and borrowing costs        | (18)   | (58)  |
| Provisions, contingent liabilities and contingent assets | 45   | 161   |
| Share-based payments                                     | (39)   | (112)   |
| Income taxes   | (14)   | 76  |
| Comprehensive income under IFRS                          | \$ 6,358   | \$ 8,251  |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

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(In thousands of Canadian dollars, except share and per share amounts)

## 14. Transition to IFRS (continued):

Notes to the reconciliations (continued):

### (c) Business combinations:

The Company has elected under IFRS 1 not to apply IFRS 3 retrospectively to business combinations that occurred prior to January 1, 2010. Accordingly, the Company has continued with the same accounting treatment of the business combinations under Canadian GAAP. As a condition under IFRS 1 for applying this exemption, goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment. No impairment existed at the date of transition.

For all business combinations that occurred on and subsequent to January 1, 2010, all business acquisitions were accounted for in accordance with the requirements of IFRS 3. The required acquisition-related costs incurred in the business acquisition of OmniBus to be expensed in the period in which these expenses were incurred. Under Canadian GAAP, acquisition-related costs were capitalized and were included in the purchase price of the business acquisition.

The impacts arising from the change above is summarized as follows:

|  | Three-month<br>period ended<br>September 30,<br>2010 | Nine-month<br>period ended<br>September 30,<br>2010 |
|--|--|---|
| Consolidated statements of comprehensive<br>income                             |  |   |
| Selling general and administrative<br>expenses                                 | \$ (796)   | \$ (796)  |
| Income taxes recovery  | 219  | 219   |
| Foreign currency translation differences<br>for foreign operations, net of tax | (18)   | (18)  |
| Adjustment to comprehensive income   | \$ (595)   | \$ (595)  |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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## 14. Transition to IFRS (continued):

Notes to the reconciliations (continued):

(c) Business combinations (continued):

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|  | September 30,<br>2010 |
|--|-----------------------|
| Consolidated statement of financial position |                       |
| Temporary investments                        | \$ (1)                |
| Goodwill                                     | (20)                  |
| Provisions                                   | (796)                 |
| Deferred revenue                             | (5)                   |
| Related tax effect                           | 227                   |
| Adjustment to equity                         | \$ (595)              |

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(d) Property, plant and equipment and borrowing costs:

### Component accounting

Under IFRS, the Company applied component accounting to the significant separable component parts of an item of property, plant and equipment since guidance is provided on evaluating the cost of a component, replacement of a component and the level at which component accounting is required. Accordingly, the Company applied component accounting to its buildings.

### Capitalized borrowing costs

Under Canadian GAAP, the Company capitalized borrowing costs as incurred. Since the Company choose to apply IAS 23 to qualifying assets that occurred since the date of transition, the borrowing cost previously capitalized under Canadian GAAP need to be derecognized on the date of transition.

# MIRANDA TECHNOLOGIES INC.

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## 14. Transition to IFRS (continued):

Notes to the reconciliations (continued):

(d) Property, plant and equipment and borrowing costs (continued):

The impacts arising from the changes above are summarized as follows:

|   | Three-month<br>period ended<br>September 30,<br>2010 | Nine-month<br>period ended<br>September 30,<br>2010 |
|---|--|---|
| Consolidated statements of comprehensive income |  |   |
| Depreciation expenses:                          |  |   |
| Selling general and administrative expenses     | \$ (27)  | \$ (82)   |
| Income taxes recovery                           | 9  | 24  |
| Adjustment to comprehensive income              | \$ (18)  | \$ (58)   |
|   |  |   |
|   |  | September 30,<br>2010                               |
| Consolidated statement of financial position    |  |   |
| Property, plant and equipment                   |  | \$ (1,001)  |
| Related tax effect                              |  | 222   |
| Adjustment to equity                            |  | \$ (779)  |

(e) Provisions, contingent liabilities and contingent assets:

### Site restoration

An obligation exists to restore a leased premise to its original state upon termination of the lease. In accordance with IFRS, a provision for site restoration in respect of estimated costs is measured differently compared to Canadian GAAP.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

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(In thousands of Canadian dollars, except share and per share amounts)

## 14. Transition to IFRS (continued):

Notes to the reconciliations (continued):

### (e) Provisions, contingent liabilities and contingent assets (continued):

The impacts arising from the change above is summarized as follows:

|   | Three-month<br>period ended<br>September 30,<br>2010 | Nine-month<br>period ended<br>September 30,<br>2010 |
|---|--|---|
| Consolidated statements of comprehensive income |  |   |
| Cost of sales                                   | \$ 29  | \$ 89   |
| Selling general and administrative expenses     | 40   | 124   |
| Finance income                                  | –  | 5   |
| Finance costs                                   | (7)  | (7)   |
| Income taxes expense                            | (17)   | (50)  |
| <b>Adjustment to comprehensive income</b>       | <b>\$ 45</b>   | <b>\$ 161</b>                                       |

|  | September 30,<br>2010 |
|--|-----------------------|
| Consolidated statement of financial position |                       |
| Prepaid expenses and other                   | \$ 88                 |
| Property, plant and equipment                | 15                    |
| Provisions                                   | 32                    |
| Long-term provisions                         | 63                    |
| Related tax effect                           | (79)                  |
| <b>Adjustment to equity</b>                  | <b>\$ 119</b>         |

### (f) Share-based payments - Liability instruments:

Under IFRS, the Company's RSU – Plan B and SAR plan, cash-settled share-based payments have characteristics similar to a stock option plan where the holder of a RSU and/or SAR benefits from the increase in share price but not subject to downside risk. Therefore, the RSUs and SARs are accounted for similarly to a stock option plan at estimated fair value using the Black-Scholes option pricing model. Under previous Canadian GAAP, the liability was recorded at the market value of share price at the reporting date.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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## 14. Transition to IFRS (continued):

Notes to the reconciliations (continued):

(f) Share-based payments - Liability instruments (continued):

The impacts arising from the change above is summarized as follows:

|   | Three-month<br>period ended<br>September 30,<br>2010 | Nine-month<br>period ended<br>September 30,<br>2010 |
|---|--|---|
| Consolidated statements of comprehensive income |  |   |
| Cost of sales                                   | \$ (7)   | \$ (19)   |
| Selling general and administrative expenses     | (43)   | (122)   |
| Research and development, net of tax credits    | (16)   | (35)  |
| Finance income                                  | 17   | 38  |
| Finance costs                                   | (2)  | (2)   |
| Income taxes recovery                           | 14   | 39  |
| <b>Adjustment to comprehensive income</b>       | <b>\$ (37)</b>                                       | <b>\$ (101)</b>                                     |
| September 30,<br>2010                           |  |   |
| Consolidated statement of financial position    |  |   |
| Trade and other payables                        |  | \$ (71)   |
| Other payables                                  |  | (86)  |
| Related tax effects                             |  | 44  |
| <b>Adjustment to equity</b>                     |  | <b>\$ (113)</b>                                     |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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(In thousands of Canadian dollars, except share and per share amounts)

## 14. Transition to IFRS (continued):

Notes to the reconciliations (continued):

### (g) Share-based payments - Equity instruments:

In certain situations, stock-based awards vest in instalments over a specified vesting period. When the only vesting condition is service from the grant date to the vesting date of each tranche awarded, then each instalment should be accounted for as a separate share-based payment arrangement under IFRS, otherwise known as graded vesting. Under Canadian GAAP, the Company elected to consider the arrangement as a single award with a vesting period based on the total vesting period of the instalments and recognize the compensation expense over the vesting period of the award.

The impacts arising from the change above is summarized as follows:

|   | Three-month<br>period ended<br>September 30,<br>2010 | Nine-month<br>period ended<br>September 30,<br>2010 |
|---|--|---|
| Consolidated statements of comprehensive income |  |   |
| Cost of sales                                   | \$ 1   | \$ 4  |
| Selling general and administrative expenses     | (3)  | (9)   |
| Research and development, net of tax credits    | -  | (6)   |
| <b>Adjustment to comprehensive income</b>       | <b>\$ (2)</b>  | <b>\$ (11)</b>                                      |
|   |  |   |
| September 30,<br>2010                           |  |   |
| Consolidated statement of financial position    |  |   |
| Contributed surplus                             |  | \$ 67   |
| Retained earnings                               |  | (67)  |
| <b>Adjustment to equity</b>                     |  | <b>\$ -</b>   |

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
(In thousands of Canadian dollars, except share and per share amounts)

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## 14. Transition to IFRS (continued):

Notes to the reconciliations (continued):

### (h) Deferred tax assets and liabilities

#### Intercompany transactions

Under IFRS, deferred tax assets or liabilities are recognized for differences in tax rates between jurisdictions as a result of intercompany transactions. Consequently, the deferred tax is computed using the tax rate applicable to the purchaser and the tax paid by the seller is not deferred. The tax effects would not be fully eliminated if parties to the transaction have different tax rates. Alternatively, under previous Canadian GAAP, the buyer is prohibited from recognizing deferred taxes for the difference in tax bases between jurisdictions. Any income tax effects to the seller, including taxes paid and tax effects of any reversal of temporary differences that occur as a result of the intercompany sale, are deferred and recognized upon sale to third party.

#### Foreign currency

The Company has subsidiaries for which the functional currency differs from the currency in which their taxable profit or loss is determined. In such case, changes in the exchange rate give rise to temporary differences that result in a recognised deferred tax liability or asset for non-monetary assets that are remeasured into the functional currency using historical exchange rates under IFRS. Under Canadian GAAP, the deferred tax is not recognised for those integrated foreign operations under the same circumstances.

# MIRANDA TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements, Continued  
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Three-month and nine-month periods ended September 30, 2011 and 2010 and as at January 1, 2010  
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## 14. Explanation of transition to IFRS (continued):

Notes to the reconciliations (continued):

(h) Deferred tax assets and liabilities (continued):

### Measurement

In accordance with IFRS, the Company has recognized and measured less tax liabilities related to income tax uncertainties based on a probability-weighted average of the possible outcomes. Under Canadian GAAP, the Company recognized a liability for uncertain taxes only if they were probable of occurring and the probability of occurrence was not considered in the measurement of such liabilities.

The impacts arising from the changes above are summarized as follows:

|  | Three-month<br>period ended<br>September 30,<br>2010 | Nine-month<br>period ended<br>September 30,<br>2010 |
|--|--|---|
| Consolidated statements of comprehensive<br>income |  |   |
| Income taxes (expense) recovery                    | \$ (14)  | \$ 76   |
| Adjustment to comprehensive income                 | \$ (14)  | \$ 76   |
|  |  | September 30,<br>2010                               |
| Consolidated statement of financial<br>position    |  |   |
| Related tax effects                                |  | \$ 1,773  |
| Adjustment to equity                               |  | \$ 1,773  |