

Consolidated Financial Statements of

**MIRANDA TECHNOLOGIES INC.**

Years ended December 31, 2009 and 2008



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## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Miranda Technologies Inc. as at December 31, 2009 and 2008 and the consolidated statements of income and comprehensive income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Montréal, Canada

February 12, 2010

# MIRANDA TECHNOLOGIES INC.

Consolidated Financial Statements

Years ended December 31, 2009 and 2008

## Financial Statements

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# MIRANDA TECHNOLOGIES INC.

Consolidated Balance Sheets  
(In thousands of Canadian dollars)

	December 31,	
	2009	2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,264	\$ 46,449
Temporary investments	19,904	2,047
Accounts receivable	24,955	24,094
Inventories (note 4)	14,512	24,144
Income taxes and tax credits receivable	5,808	3,810
Prepaid expenses	1,552	1,446
Future income taxes (note 5)	979	1,967
	96,974	103,957
Restricted cash (note 10 (a))	—	25,000
Tax credits receivable	1,870	1,098
Property, plant and equipment (note 6)	30,725	25,432
Intangible assets (note 7)	20,234	25,729
Goodwill (note 8)	20,562	20,977
	\$ 170,365	\$ 202,193
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued charges	\$ 16,261	\$ 21,357
Deferred revenue	2,327	2,495
Income taxes payable	1,239	5,517
Long-term debt (note 10)	9	2,932
	19,836	32,301
Deferred revenue	3,601	3,627
Long-term debt (note 10)	136	21,608
Future income taxes (note 5)	10,489	11,183
Shareholders' equity:		
Share capital (note 11)	103,165	105,883
Contributed surplus (note 11)	4,491	3,826
Retained earnings	28,647	23,765
	136,303	133,474
Commitments, contingencies and guarantees (note 12)		
	\$ 170,365	\$ 202,193

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ Terry Nickerson  
Director

/s/ Jean Bazin  
Director

# MIRANDA TECHNOLOGIES INC.

Consolidated Statements of Income and Comprehensive Income  
(In thousands of Canadian dollars, except per share amounts)

	Years ended December 31,	
	2009	2008
Sales	\$ 131,751	\$ 129,961
Cost of sales	56,933	51,152
	74,818	78,809
Operating expenses:		
Selling, general and administrative	43,368	36,654
Research and development	21,799	17,758
Research and development tax credits (note 5)	(4,102)	(5,812)
Interest expense (income) (note 15 (e))	438	(2,426)
Foreign exchange loss (gain) (note 15 (d))	1,329	(3,896)
Stock-based compensation (note 11 (b) (i))	665	1,361
Other stock-based compensation (note 11 (b) (ii) and (iii))	362	347
Amortization of intangible assets	4,275	1,926
	68,134	45,912
Income before income taxes	6,684	32,897
Income tax expenses (recovery) (note 5):		
Current	1,122	10,730
Future	42	(570)
	1,164	10,160
Net income and comprehensive income	\$ 5,520	\$ 22,737
Net earnings per share (note 11 (c)):		
Basic	\$ 0.24	\$ 0.93
Diluted	0.24	0.92
Basic weighted average number of shares outstanding (note 11(c))	22,956,441	24,369,312
Diluted weighted average number of shares outstanding (note 11 (c))	23,145,458	24,632,982

See accompanying notes to consolidated financial statements.

# MIRANDA TECHNOLOGIES INC.

Consolidated Statements of Shareholders' Equity  
(In thousands of Canadian dollars)

	Common shares		Contributed surplus	Accumulative other comprehensive income	Retained earnings	Total shareholders' equity
	Number	Amount				
Balance, December 31, 2007	24,804,614	\$ 112,088	\$ 2,465	\$ –	\$ 4,930	\$ 119,483
Shares issued pursuant to the exercise of stocks options	13,034	45	–	–	–	45
Shares redeemed pursuant to the normal course issuer bid (note 11 (d))	(1,388,600)	(6,250)	–	–	(3,902)	(10,152)
Stock-based compensation related to the stock options (note 11 (b) (i))	–	–	1,361	–	–	1,361
Net income	–	–	–	–	22,737	22,737
Balance, December 31, 2008	23,429,048	105,883	3,826	–	23,765	133,474
Shares issued pursuant to the exercise of stocks options	20,000	34	–	–	–	34
Shares redeemed pursuant to the normal course issuer bid (note 11 (d))	(611,400)	(2,752)	–	–	(638)	(3,390)
Stock-based compensation related to the stock options (note 11 (b) (i))	–	–	665	–	–	665
Net income	–	–	–	–	5,520	5,520
Balance, December 31, 2009	22,837,648	\$ 103,165	\$ 4,491	\$ –	\$ 28,647	\$ 136,303

See accompanying notes to consolidated financial statements.

# MIRANDA TECHNOLOGIES INC.

Consolidated Statements of Cash Flows  
(In thousands of Canadian dollars)

	Years ended December 31,	
	2009	2008
<b>Cash flows from operating activities:</b>		
Net income	\$ 5,520	\$ 22,737
Adjustments for:		
Amortization of property, plant and equipment	3,592	2,427
Amortization of intangible assets	4,275	1,926
Stock-based compensation	665	1,361
Future income taxes	42	(570)
Effect of exchange rates on long-term monetary assets and liabilities	(1,882)	—
Effect of exchange rates on cash and cash equivalents	1,636	(2,392)
	<u>13,848</u>	<u>25,489</u>
Net change in non-cash balances related to operations (note 14)	(3,231)	10,070
	<u>10,617</u>	<u>35,559</u>
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	(21,773)	—
Increase in long-term debt	—	24,363
Redemption of shares	(3,390)	(10,152)
Issuance of share capital	34	45
	<u>(25,129)</u>	<u>14,256</u>
<b>Cash flows from investing activities:</b>		
Net (increase) decrease in temporary investments	(17,857)	25,843
Business acquisition, excluding cash (note 3)	(64)	(49,199)
Restricted cash	25,000	(25,000)
Additions to property, plant and equipment	(8,116)	(4,548)
	<u>(1,037)</u>	<u>(52,904)</u>
Effect of exchange rates on cash and cash equivalents	(1,636)	2,392
Net decrease in cash and cash equivalents	(17,185)	(697)
Cash and cash equivalents, beginning of year	46,449	47,146
Cash and cash equivalents, end of year	<u>\$ 29,264</u>	<u>\$ 46,449</u>
<b>Cash and cash equivalents are comprised of:</b>		
Cash	\$ 19,464	\$ 26,622
Cash equivalents	9,800	19,827
	<u>\$ 29,264</u>	<u>\$ 46,449</u>

See accompanying notes to consolidated financial statements.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2009 and 2008

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

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Miranda Technologies Inc. (the "Company") is incorporated under Part 1A of the Companies Act (Quebec). The Company develops, manufactures and markets high-performance solutions for the television broadcasting industry.

## 1. Significant accounting policies:

### (a) Basis of presentation:

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances are eliminated on consolidation.

Certain comparative figures for the year 2008 have been reclassified to conform with the presentation adopted for the year ended December 31, 2009.

### (b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Significant items subject to such estimates and assumptions include the determination of the provision for inventory obsolescence, the useful life of assets for depreciation, amortization and evaluation of net recoverable amount of property, plant and equipment and intangible assets, evaluating future income taxes and research and development tax credits and the likelihood of recoverability, and the determination of implied fair value of goodwill and implied fair value of assets and liabilities for purchase price allocation purposes and goodwill impairment tests purposes and the determination of fair value of financial instruments and derivative instruments. Consequently, actual results could differ from those estimates.

### (c) Cash and cash equivalents:

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. As at December 31, 2009, these highly liquid investments consist of term deposit, bearing interest from 0.14% to 0.21%.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 1. Significant accounting policies (continued):

(d) Restricted cash:

Cash is considered restricted when it is subject to being held as collateral for external financing.

(e) Temporary investments:

Temporary investments are classified as held for trading and recorded at fair value, and gains or losses are included in net income in the period in which they arise. Temporary investments consist of term deposits bearing interest at 0.25% to 0.6% and maturing in January 2010 and December 2010.

The amount of \$19,904 (\$2,047 as at December 31, 2008) represents the market value as at December 31, 2009.

(f) 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 (moving-average cost) and net realizable value. Cost includes raw materials, the cost of direct labor applied to the product and the applicable share of overhead expense.

(g) Property, plant and equipment:

Property, plant and equipment are stated at cost, net of research and development tax credits. Amortization is provided for over their estimated useful lives using the following methods and annual rates:

Asset	Method	Rate/period
Building	Declining balance	4%
Manufacturing equipment	Declining balance	20%
Computer equipment and software	Declining balance	30%
Research and development equipment	Declining balance	20%
Office furniture	Declining balance	20%
Leasehold improvements	Straight-line	Over the lease terms

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# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 1. Significant accounting policies (continued):

(h) Impairment of long-lived assets:

A long-lived asset or group of assets, other than goodwill, must be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Its carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. When the carrying amount of a long-lived asset or group of assets is not recoverable, an impairment loss is recognized and is measured as the amount by which the carrying amount of a long-lived asset or group of assets exceeds its fair value, based on quoted market prices, when available, or on the estimated present value of future cash flows.

(i) Intangible assets:

Intangible assets include technologies, customer relationships and brand names and are recorded at cost. Amortization is provided for over their estimated useful lives using the straight-line method over the following periods:

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Intangible asset	Period
Technologies	5 to 10 years
Customer relationships	5 years
Brand names	20 years

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(j) Goodwill:

Goodwill is not amortized.

Goodwill is tested for impairment annually or, more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of the reporting unit exceeds its carrying amount, then the goodwill of the reporting unit is considered not to be impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared to its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate item in the statement of income.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 1. Significant accounting policies (continued):

### (k) Research expenses:

Research costs, net of related research and development tax credits, are expensed as they are incurred.

### (l) Income taxes:

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Future tax benefits are recognized to the extent that realization of such benefits is considered more likely than not. The effect on future tax assets and liabilities of a change in income tax rates is recognized in income in the period that includes the substantive enactment date.

### (m) Foreign currency translation:

Monetary assets and liabilities of domestic and integrated foreign operations denominated in foreign currencies are translated at year-end exchange rates. Non-monetary assets and liabilities of integrated foreign operations are translated at the historical rate relevant to the particular asset or liability. The exchange gains or losses resulting from translation are recorded in income. Revenue and expense items are translated at the average exchange rate of the year, except for amortization expenses, which are translated on the same basis as the related asset.

### (n) Stock-based compensation:

#### (i) Stock option plan:

The Company has stock option plan as described in note 11 (b). The Company accounts for all awards using the fair value method. The fair value of stock options is determined using a fair value pricing model, and a compensation expense is charged to income over the vesting period with a corresponding credit to contributed surplus. When the stock options are exercised, capital stock is credited by the sum of the consideration paid, together with the related portion previously recorded to contributed surplus.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 1. Significant accounting policies (continued):

### (n) Stock-based compensation (continued):

#### (ii) Non-dilutive restrictive and deferred share units plan:

The Company uses the fair value based approach of accounting for non-dilutive restricted share units ("RSU") and non-dilutive deferred share units ("DSU") granted to employees, directors, officers and consultants. RSUs are amortized over their vesting periods and remeasured at each reporting period, until settlement, using the quoted market value of the underlying share. DSUs are accounted for in compensation expense at the time of issuance. Their value is remeasured at each reporting period, using the quoted market value of the underlying share.

### (o) Revenue recognition:

Revenue is derived primarily from the sale of equipment and delivery of services. Revenue is recognized upon delivery of equipment, provided that title to the goods is transferred to customers, persuasive evidence of an arrangement exists, there are no significant uncertainties surrounding product acceptance, the sales price is fixed or determinable and collectability is reasonably assured. 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. The Company enters into arrangements with multiple deliverables which are separated into units of accounting. These deliverables include sales of hardware and software solutions, related services, training and commissioning.

### (p) Earnings per share:

Basic earnings per share are computed by dividing net earnings by the weighted average shares outstanding during the year. Diluted earnings per share are 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 stock options were exercised and that the proceeds from such exercises, including unrecognized compensation costs of stock-based compensation, were used to acquire shares of common stock at the average market price during the period.

### (q) 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. As at December 31, 2009, the Company does not have outstanding derivative financial instruments.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 1. Significant accounting policies (continued):

### (q) Derivative financial instruments (continued):

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 accounts receivable or accounts payable and accrued charges. Consequently, realized and unrealized gains or losses are recorded as foreign exchange gain or loss in income.

The fair value of derivative financial instruments is estimated using year-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.

## 2. Changes in accounting policies:

### Accounting policies and standards adopted in 2009:

Effective at the beginning of its 2009 fiscal year, the Company has adopted the CICA Handbook Section 3064 ("HB 3064"), *Goodwill and Intangible Assets*.

HB 3064 provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. The adoption of this standard did not have a significant impact on the consolidated financial statements.

The Company adopted the amendments to CICA 3862, *Financial Instruments – Disclosures*, on January 1, 2009. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Company's investments. The hierarchy of inputs is summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 2. Changes in accounting policies:

### Accounting policies and standards adopted in 2009 (continued):

The following is a summary of the inputs used as at December 31, 2009 in valuing the Company's investments at fair values:

	Quoted prices in active markets for identical assets (Level 1)
Treasury bonds	\$ 2,391
Term deposits	17,513
	<u>\$ 19,904</u>

### Accounting policies and standards to be adopted in 2010 and beyond:

In December 2008, the CICA issued Section 1582, *Business Combinations* ("HB 1582"), Section 1601, *Consolidated Financial Statements* ("HB 1601"), and Section 1602, *Non-controlling Interests* ("HB 1602").

HB 1582 will replace the former Section 1581, *Business Combinations*. HB 1582 provides guidance for the accounting for a business combination which is the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations*. This Section applies to interim and annual financial statements beginning on or after January 1, 2011. The adoption of this section will only have an impact on business combinations occurring after January 1, 2011.

HB 1601 and HB 1602 will replace former Section 1600, *Consolidated Financial Statements*. These Sections provide guidance for the preparation of consolidated financial statements and the accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These Sections apply to interim and annual financial statements beginning on or after January 1, 2011. The Company does not expect the adoption of these standards to have a significant impact on its consolidated financial statements.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 2. Changes in accounting policies (continued):

### Accounting policies and standards to be adopted in 2010 and beyond (continued):

In February 2010, the Emerging Issues Committee of the CICA issued EIC-175, *Multiple Deliverable Revenue Arrangements* ("EIC-175"). EIC-175 provides additional guidance on how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. This Section applies to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. The Company has not yet determined what the impact of adopting this standard will have on its consolidated financial statements.

### Transition to International Financial Reporting Standards:

In 2005, the Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). In February 2008, the AcSB confirmed the changeover date from current Canadian GAAP to IFRS to be January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. IFRS on the date of adoption is also expected to differ from current IFRS due to new IFRS standards and pronouncements that are expected to be issued before the changeover date. The Company plans to prepare its financial statements in accordance with IFRS for periods commencing on January 1, 2011.

## 3. Business acquisition:

On December 22, 2008, the Company acquired 100% of the outstanding shares of NVISION, Inc., a privately held US based global developer, manufacturer and marketer of high-performance hardware and software for the television broadcast industry, located in Grass Valley, California. The acquisition has been accounted for using the purchase method and, accordingly, the results of operations have been included in the consolidated financial statements from the date of acquisition.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

### 3. Business acquisition (continued):

The total cash consideration for the acquisition amounted to \$49,199 (US\$40,387), net of cash acquired of \$984 (US\$808), including acquisition costs of \$1,520 (US\$1,247) and the assumption of debt of \$177 (US\$145).

The fair value of the net assets acquired is summarized as follows:

Current assets:		
Accounts receivable	\$	3,429
Inventories		9,635
Prepaid expenses		247
Future income taxes		1,929
		<hr/>
		15,240
Property, plant and equipment		9,655
Intangible assets		21,469
Goodwill		17,044
		<hr/>
Total assets		63,408
Current liabilities:		
Accounts payable and accrued charges		3,348
Deferred revenue		1,195
Income taxes payable		197
Long-term debt		8
		<hr/>
		4,748
Deferred revenue		792
Long-term debt		169
Future income taxes		8,500
		<hr/>
Total liabilities		14,209
		<hr/>
Net assets acquired	\$	49,199
		<hr/>
Consideration	\$	49,199

The purchase price allocation was finalized during the year and the changes did not have a significant impact on the preliminary allocations other than an increase to income tax assets of \$2,153 and a decrease to inventories, intangible assets and goodwill of \$453, \$1,221 and \$415, respectively, resulting in a net increase in assets acquired of \$64.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 4. Inventories:

	2009	2008
Raw materials	\$ 6,874	\$ 13,467
Work in progress	2,157	2,590
Finished goods and demos	5,481	8,087
	\$ 14,512	\$ 24,144

As at December 31, 2009, the cost of sales of \$56,933 (2008 - \$51,152) was comprised of \$53,601 of inventory cost (2008 - \$46,698), \$1,096 of inventory re-evaluation related to obsolescence (2008 - \$1,620) and \$2,236 of other costs (2008 - \$2,834).

## 5. Income taxes:

The following schedule reconciles income taxes computed on income before income taxes based on the combined federal and provincial statutory income tax rate to the effective income tax expense:

	2009	2008
Income taxes based on the combined federal and provincial (Quebec) basic income tax rate of 30.9% in 2009 and 2008	\$ 2,065	\$ 10,164
Changes due to the following items:		
Differences in tax rates in subsidiaries	(612)	(94)
Non-taxable tax credits	(179)	(183)
Non-taxable foreign exchange (gains) losses	(220)	445
Permanent differences, effect of changes in future tax rates and other	110	(172)
	\$ 1,164	\$ 10,160

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 5. Income taxes (continued):

The tax effects of significant components of temporary differences that give rise to future income tax assets and liabilities are as follows:

	2009	2008
Non-capital loss carryforwards and pool of deductible scientific research and development expenditures	\$ 1,331	\$ 3,119
Property, plant and equipment	(2,520)	(2,245)
Inventories	1,336	1,063
Share issuance costs	—	298
Tax credits	(3,399)	(4,309)
Intangible assets	(7,819)	(9,828)
Other	1,782	2,686
Valuation allowance	(221)	—
Future income tax, amount net	\$ (9,510)	\$ (9,216)

Presented as follows:

	2009	2008
Future income tax assets:		
Short-term	\$ 979	\$ 1,967
Future income tax liabilities:		
Long-term	(10,489)	(11,183)
Future income tax liabilities, net	\$ (9,510)	\$ (9,216)

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 5. Income taxes (continued):

The tax credits as well as the above-mentioned tax benefits will expire as follows:

Expiration	Non-capital losses			Tax credits		Capital losses	
	Provincial	France	USA	Federal	Federal	Quebec	
2016	\$ -	\$ -	\$ 310	\$ -	\$ -	\$ -	\$ -
2017	-	-	2,462	-	-	-	-
2020	-	-	322	-	-	-	-
2026	656	-	-	1,154	-	-	-
2028	-	-	-	2,153	-	-	-
2029	-	-	-	2,161	-	-	-
Unlimited	-	1,188	-	-	773	-	773
<b>Total</b>	<b>\$ 656</b>	<b>\$ 1,188</b>	<b>\$ 3,094</b>	<b>\$ 5,468</b>	<b>\$ 773</b>	<b>\$ -</b>	<b>\$ 773</b>

## 6. Property, plant and equipment:

	2009		
	Cost	Accumulated amortization	Net book value
Land	\$ 3,436	\$ -	\$ 3,436
Buildings	19,438	1,986	17,452
Manufacturing equipment	8,134	3,782	4,352
Computer equipment	4,302	3,051	1,251
Software	3,253	1,613	1,640
Research and development equipment	4,731	3,560	1,171
Office furniture	4,769	3,467	1,302
Leasehold improvements	522	401	121
	<b>\$ 48,585</b>	<b>\$ 17,860</b>	<b>\$ 30,725</b>

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 6. Property, plant and equipment (continued):

				2008
	Cost	Accumulated amortization	Net book value	
Land	\$ 3,436	\$ —	\$ 3,436	
Buildings	12,179	1,528	10,651	
Manufacturing equipment	8,460	3,372	5,088	
Computer equipment	4,058	2,666	1,392	
Software	2,758	1,152	1,606	
Research and development equipment	4,533	3,070	1,463	
Office furniture	4,785	3,142	1,643	
Leasehold improvements	503	350	153	
	<u>\$ 40,712</u>	<u>\$ 15,280</u>	<u>\$ 25,432</u>	

The amortization of property, plant and equipment for the year ended December 31, 2009 was \$3,592 (2008 - \$2,427).

## 7. Intangible assets:

				2009
	Cost	Business acquisition	Accumulated amortization	Net book value
Technologies	\$ 15,820	\$ (329)	\$ 4,853	\$ 10,638
Customer relationships	10,677	(604)	4,134	5,939
Brand names	4,144	(288)	199	3,657
	<u>\$ 30,641</u>	<u>\$ (1,221)</u>	<u>\$ 9,186</u>	<u>\$ 20,234</u>

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 7. Intangible assets (continued):

	2008			
	Cost	Business acquisition	Accumulated amortization	Net book value
Technologies	\$ 5,259	\$ 10,560	\$ 2,783	\$ 13,036
Customer relationships	3,912	6,765	2,122	8,555
Brand names	–	4,144	6	4,138
	\$ 9,171	\$ 21,469	\$ 4,911	\$ 25,729

The aggregate amortization expense for the year ended December 31, 2009 was \$4,275 (2008 - \$1,926).

## 8. Goodwill:

For the years ended December 31, 2009 and 2008, the changes in carrying amount of goodwill are as follows:

	Cost
Balance, December 31, 2007	\$ 3,933
2008 acquisition	17,044
Balance, December 31, 2008	20,977
Finalization of the purchase price allocation of NVISION, Inc.	(415)
Balance, December 31, 2009	\$ 20,562

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 9. Lines of credit:

The Company has lines of credit of authorized amounts of \$15,000, US\$2,000 and £600, bearing interest at prime rate plus 0.5%, bank's prime rate and bank's base rate plus 2%, respectively. For the Canadian line of credit, the Company has granted guarantees on inventory under Section 427 of the Bank Act and a first rank general security agreement of \$18,000 over all present and future tangible and intangible assets of the Company. For the US line of credit, the line of credit is secured by the building of one of the Company's subsidiaries. For the British line of credit, the line of credit is secured by an unlimited debenture of one of the Company's subsidiaries. The lines of credit are due on demand, and the credit facilities will be renewed in December 2011, February 2013 and December 2010, respectively.

The prime rate as at December 31, 2009 was 2.25%, the bank's prime rate was 5.75% and the bank's base rate was 0.5%.

The Company also has a one-year US\$30,000 non-revolving credit facility to be used for acquisitions, bearing interest at US base rate.

## 10. Long-term debt:

	2009	2008
(a) Credit facility of US\$30,000, secured by a \$25,000 cash collateral, payable monthly, fully repaid during the year	\$ —	\$ 24,363
(b) Bond payable in the amount of US\$137, bearing interest at 7.55%, payable semi-annually, maturing in September 2020	145	177
	145	24,540
Less current portion of long-term debt	9	2,932
	\$ 136	\$ 21,608

(a) During the year, the Company fully repaid its credit facility in the amount of \$21,764 (US\$20,000), and the \$25,000 of cash collateral was released by the bank.

(b) Municipal property improvement bond on the Company-owned building in Grass Valley, California.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 10. Long-term debt (continued):

The repayment schedule for the long-term debt is as follows:

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2010	\$	9
2011		10
2012		11
2013		11
2014		12
Thereafter		92
	\$	145

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## 11. Share capital:

(a) Authorized:

Unlimited number of common shares without nominal value.

(b) Stock-based compensation:

The Company established a stock option plan, a non-dilutive restricted share units ("RSU") plan and a non-dilutive deferred share units ("DSU") plan to attract, retain and provide an incentive to the employees, directors, officers and consultants. The Board of Directors has the ability to grant stock options, RSUs and DSUs to officers and other key employees of the Company and its subsidiaries.

(i) Stock option plan:

The stock option plan is administered by the Board of Directors. The Board of Directors may determine, in accordance with the terms of the stock option plan, the terms relating to each option, including the number of shares subject to each option, exercise price and expiration date of each option and the extent to which each option is exercisable during the term of the option. The term of an option granted after November 2005 cannot exceed 5 years (10 years under the previous plan) and will usually be vested over three years.

A total of 2,395,185 common shares are reserved for issuance upon exercise of options issued under the stock option plan. As a result, a total of approximately 10% of the outstanding capital is reserved for issuance upon exercise of all options or issuable under the stock option plan. After taking into account all of the issued options, options convertible into 449,491 common shares are available for issuance under the stock option plan as of December 31, 2009.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 11. Share capital (continued):

(b) Stock-based compensation (continued):

(i) Stock option plan (continued):

The following table summarizes information on stock options outstanding at December 31, 2009:

	December 31, 2009		December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	1,109,901	\$ 10.03	1,059,435	\$ 10.28
Granted	—	—	97,500	8.62
Exercised	(20,000)	1.71	(13,034)	3.44
Cancelled	(30,000)	13.07	(34,000)	16.35
Balance, end of year	1,059,901	\$ 10.07	1,109,901	\$ 10.03

The vested stock options at December 31, 2009 are presented in the table below:

Exercise price	Number of outstanding options	Number of vested options	Residual life (years)
\$ 1.71	181,651	181,651	3.6
\$ 3.96	40,000	40,000	5.3
\$ 3.96	175,000	175,000	5.5
\$ 16.46	288,000	288,000	1.2
\$ 17.08	40,000	40,000	1.2
\$ 18.82	20,000	20,000	1.4
\$ 17.24	5,750	5,750	1.6
\$ 14.00	167,000	111,333	2.2
\$ 9.64	45,000	30,000	2.4
\$ 9.28	50,000	16,667	3.2
\$ 7.93	47,500	15,833	3.4
	1,059,901	924,234	

Compensation cost charged against income was \$665 for the year ended December 31, 2009 (2008 - \$1,361). The offsetting credit has been recorded as contributed surplus.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 11. Share capital (continued):

(b) Stock-based compensation (continued):

(ii) Non-dilutive restricted share units plan:

### Plan A:

The Company established a RSUs in February 2008. The RSUs will vest on February 28, 2012, and they will be settled in cash at the end of the vesting period. The settlement amount is based on the Company's weighted average trading stock price during the 90-day period preceding the vesting date and the achievement of certain financial objectives. No common shares are issued from treasury under such awards and they are, therefore, non-dilutive.

### Plan B:

The Company established another RSUs in March 2009. This RSU plan has the same features as the RSU plan described above, except that there is no achievement of any financial objectives.

The changes in the outstanding RSUs for the year ended December 31, 2009 were as follows:

	Plan A			Plan B		
	Number of outstanding units	Number of vested units	Residual life (years)	Number of outstanding units	Number of vested units	Residual life (years)
Balance, beginning of year	141,000	—	—	—	—	—
Granted	13,500	—	—	91,486	—	—
Cancelled	(11,000)	—	—	—	—	—
Redeemed	(6,500)	—	—	(2,429)	—	—
Balance, end of year	137,000	—	2.2	89,057	—	2.2

The compensation expense related to the RSU plans was \$112 (2008 - \$261).

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 11. Share capital (continued):

(b) Stock-based compensation (continued):

(iii) Non-dilutive deferred share units plan:

The Company also established a DSUs in February 2008. The DSU plan has the same features as the RSU plan, except that there is no vesting period and no financial objectives.

	Number of outstanding units
Balance, beginning of year	13,000
Granted	49,281
Balance, end of year	62,281

The compensation expense related to the DSU plan was \$250 (2008 - \$86).

(c) Earnings per share:

The following table provides the reconciliation between basic and diluted earnings per share:

	2009	2008
Net income	\$ 5,520	\$ 22,737
Weighted average number of common shares outstanding	22,956,441	24,369,312
Dilutive effect:		
Employees stock options	189,017	263,670
Weighted average number of diluted common shares outstanding	23,145,458	24,632,982
Basic earnings per share	\$ 0.24	\$ 0.93
Diluted earnings per share	\$ 0.24	\$ 0.92

The weighted average number of diluted common shares outstanding does not consider the potential dilution effect of 663,250 options because they were anti-dilutive during the year.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 11. Share capital (continued):

### (d) Normal course issuer bid:

On May 26, 2008, the Company filed a normal course issuer bid ("NCIB") to redeem up to 2,000,000 common shares for cancellation between May 26, 2008 and May 25, 2009, representing an amount of 8% of the common shares issued and outstanding. The consideration paid by the Company for common shares repurchased under the NCIB was at the market price of such common shares at the time of purchase.

During the year, 611,400 common shares were purchased and cancelled, for a total cash consideration of \$3,390 attributed to retained earnings in the amount of \$638 and \$2,752 to share capital.

The Company reached its redemption of 2,000,000 common shares on May 15, 2009, for a total cash consideration of \$13,542 at an average cost of \$6.77 per common share.

On August 26, 2009, the Company announced a new NCIB program, permitting it to purchase up to 1,799,662 or approximately 8% of the Company's common shares issued and outstanding for cancellation. The NCIB is for one year and will end on August 25, 2010 or on such earlier date as the Company has purchased the maximum shares permissible. As at December 31, 2009, no shares have been purchased under the program, and the Company is not required to purchase any shares over the life of the program.

## 12. Commitments, contingencies and guarantees:

### (a) Leases:

The Company is committed under various operating lease contracts. The minimum lease payments over the next five years are as follows:

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2010	\$	897
2011		226
2012		13
2013		4
2014		—
	\$	1,140

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### (b) Contingencies:

A certain number of claims and law suits have been brought against the Company and its subsidiaries. It is management's opinion that the outcome of such claims and lawsuits will not have a material impact on the Company's results of operations or its financial position.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 12. Commitments, contingencies and guarantees (continued):

(c) Guarantees:

The Company has issued bank guarantees amounting to US\$186 (2008 - US\$186).

## 13. Restructuring costs:

During the year 2009, the Company incurred restructuring costs to align operating expenses to the current business levels in the amount of \$1,488, of which \$393, \$521 and \$574 were included in cost of sales, in selling, general and administrative expenses and in research and development, respectively.

## 14. Statement of cash flows:

(a) Net changes in non-cash balances related to operations are as follows:

	2009	2008
(Decrease) increase of cash flows:		
Accounts receivable	\$ (861)	\$ 1,778
Inventories	9,179	70
Income taxes and tax credits receivable	(1,106)	(453)
Prepaid expenses	(106)	(392)
Accounts payable and accrued charges	(5,865)	4,365
Income taxes payable	(4,278)	4,580
Deferred revenue	(194)	122
	\$ (3,231)	\$ 10,070

(b) Supplemental cash flow information:

	2009	2008
Income taxes paid	\$ 3,248	\$ 1,970
Interest paid	543	20

(c) Transactions not affecting cash and cash equivalents:

The Company acquired \$769 (2008 - nil) of property, plant and equipment, which were unpaid as at December 31, 2009.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 15. Financial instruments:

### (a) Carrying values and fair values:

The fair value of financial assets and liabilities, together with the carrying amounts included in the consolidated balance sheets, is as follows:

	December 31, 2009		December 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held-for-trading:				
Cash	\$ 19,464	\$ 19,464	\$ 26,622	\$ 26,622
Cash equivalents	9,800	9,800	19,827	19,827
Temporary investments	19,904	19,904	2,047	2,047
Restricted cash	–	–	25,000	25,000
Loans and receivables:				
Accounts receivable	24,955	24,955	24,094	24,094
Financial liabilities:				
Held-for-trading:				
Forward foreign exchange contracts	–	–	668	668
Other financial liabilities:				
Accounts payable and accrued charges	16,261	16,261	20,689	20,689
Long-term debt	145	145	24,540	24,540

The Company has determined that the fair value of its short-term financial assets and liabilities, excluding foreign exchange contracts, approximates their respective carrying amounts as at the balance sheet dates due to the short-term maturity of those instruments. The fair values of foreign exchange contracts were determined based on broker quotes. These quotes were tested for reasonableness by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates for similar instruments at their reporting date.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 15. Financial instruments (continued):

### (b) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet contractual obligations, and it arises primarily from the Company's accounts receivable.

The Company also has credit risk relating to cash, cash equivalents, short-term investments and foreign exchange contracts. The Company manages its risk by generally dealing with major North-American and European financial institutions and investing only in instruments having a minimal rating of A- by Standard & Poor's for investments in treasury bills and term deposits.

The carrying amounts of financial assets, as disclosed in the "financial instruments - carrying and fair values" represent the Company's maximum credit exposure. The Company's exposure to credit risk is mainly influenced by the characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which the customer operates, have less of an influence on the credit risk.

The Company verifies the creditworthiness of each new customer before offering credit terms. Customers that fail to meet the Company's creditworthiness parameters may only transact with the Company on a prepayment basis. The majority of the Company's customers have been transacting with the Company for many years, and the losses have been insignificant during the period. In monitoring customer credit risk, customers are analyzed according to their credit characteristics, including whether they are distributors, system integrators, users or broadcasters, as well as their geographic location, aging profile, and previous financial history.

The Company does not require collateral in respect of accounts receivable.

The Company writes down accounts receivable to expected realizable value as soon as the account is determined not to be fully collectible with such write-downs charged to net income unless the loss has been provided for in prior periods, in which case the write-off is applied to reduce the allowance for doubtful accounts. The Company updates its estimates of allowance for doubtful accounts, based on a customer-by-customer evaluation of the collectability of accounts receivable balances at each balance sheet reporting date, taking into account amounts which are past due, and any available information indicating that a customer could be experiencing financial problems.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 15. Financial instruments (continued):

(b) Credit risk (continued):

The Company's exposure to credit risk for accounts receivable by geographic area as at December 31, 2009 was as follows:

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Canada	\$	722
United States		11,098
Other countries		10,445
		<hr/> 22,265
Allowance for doubtful accounts		(481)
Other receivables		3,171
		<hr/> \$ 24,955

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Approximately 81% (2008 - 80%) of accounts receivable are outstanding for less than 90 days as at December 31, 2009.

The movement in the allowance for doubtful accounts in respect of accounts receivable was as follows:

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Balance, December 31, 2008	\$	886
Bad debt expenses		(71)
Write-off against reserve		(279)
Impact of variation in foreign exchange rates		(55)
		<hr/> Balance, December 31, 2009
		\$ 481

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(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company also manages liquidity risk by continuously monitoring actual and budgeted cash flows. Also, the Board of Directors review and approve the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures.

## 15. Financial instruments (continued):

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

(c) Liquidity risk (continued):

In recent years, the Company has financed its expansion and sales growth mainly through internally generated funds and the equity offering, except for the acquisition of NVISION which was financed partially by a credit facility for a short period in 2009. The Company's credit lines and long-term debt are described in notes 9 and 10.

The following are the contractual maturities of financial liabilities as at December 31, 2009:

	Carrying amount	Contractual obligation	0 to 12 months	1 to 2 years	Over 2 years
Accounts payable and accrued charges	\$ 16,261	\$ 16,261	\$ 15,515	\$ –	\$ 746
Long-term debt	145	215	20	20	175

(d) Market risk:

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

The Company enters into derivatives contracts in the ordinary course of business, and also incurs financial liabilities, in order to manage market risk.

(i) Currency risks:

The Company is exposed to currency risks on sales and expenses that are denominated in a currency other than the Canadian dollar, the functional currency of the Company, primarily the US dollar (USD), but also the Euro (EUR) and the British pound (GBP). Also, additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the Canadian dollar at the rate of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain or loss in the statement of income.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 15. Financial instruments (continued):

(d) Market risk (continued):

(i) Currency risks (continued):

A portion of the Company's sales and operating costs are denominated in foreign currencies, mainly USD, EUR and GBP. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows, by transacting with third parties in the above currencies to the maximum extent possible and practical given its economic hedges in each currency. The Company also uses foreign exchange contracts to hedge a portion of the remaining exposure of its foreign currencies cash flows. Foreign exchange contracts will usually have a maturity of less than one year.

The Company does not use forward foreign exchange contracts for speculative purposes. The Company does not apply hedge accounting, and derivative contracts when held are being marked to market at every reporting date with changes recorded in the consolidated statements of income and comprehensive income.

The Company's exposure to currency risk on its consolidated financial statements was as follows:

Expressed in Canadian dollars	December 31, 2009		
	USD	EUR	GBP
Cash and cash equivalents	9,789	2,116	372
Accounts receivable	16,976	3,628	1,659
Accounts payable and accrued charges	(4,950)	(230)	(1,032)
Long-term debt	(145)	–	–
<b>Balance sheet exposure</b>	<b>21,670</b>	<b>5,514</b>	<b>999</b>

The following exchange rates were used during the year:

	Year-to-date average	Reporting date rate
CDN/USD	1.14	1.05
EUR/CDN	1.59	1.50
GBP/CDN	1.78	1.70

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 15. Financial instruments (continued):

(d) Market risk (continued):

(i) Currency risks (continued):

A five percentage point strengthening of the Canadian dollar against the following currencies at December 31, 2009 would have decreased net income by the amounts shown below. This analysis assumes that all other variables remain constant. A five percent weakening of the Canadian dollar would have an equal but opposite effect on net income.

	USD	EUR	GBP
Financial instruments	\$ (722)	\$ (184)	\$ (33)
Decrease in net income	\$ (722)	\$ (184)	\$ (33)

The following elements comprise the foreign exchange loss (gain):

	2009	2008
Loss (gain) relating to financial assets or liabilities, excluding foreign exchange contracts	\$ 2,084	\$ (5,983)
(Gain) loss relating to foreign exchange contracts, including amounts realized on contracts at maturity and changes in fair values of open positions	(755)	2,087
Foreign exchange loss (gain)	\$ 1,329	\$ (3,896)

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk is primarily related to the Company's investment in short-term instruments.

The Company holds the majority of its cash and cash equivalent balance in interest-bearing accounts which are therefore only exposed to future cash flow fluctuations coming from changes in market interest rates. Temporary investments consist of bonds and term deposits with maturity of less than twelve months and are, therefore, also exposed to interest rate risk on fair value. However, fair value risk is not significant considering the relatively short period to maturity of these instruments.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 15. Financial instruments (continued):

(d) Market risk (continued):

(ii) Interest rate risk (continued):

The Company's objective in managing its interest risk is to maximize its return on investment while limiting its exposure by investing in instruments having a minimum rating of A- by Standard and Poor's.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments and long-term debt was:

	Carrying amount December 31, 2009
Variable rate:	
Financial assets	\$ 19,464
Fixed rate:	
Financial assets	29,704
Financial liabilities	(145)
	<u>\$ 49,023</u>

An increase of 100 basis points in interest rate on variable rate instruments would have increased net income by \$134 during the year. This analysis assumes that all other variables, in particular foreign currency rates, remained constant. A 100 basis points decrease in interest rate would have an equal but opposite effect on net income.

(e) The following elements comprise the interest expense (income):

	2009	2008
Recognized in net income:		
Interest income on available-for-sale financial assets	\$ —	\$ (904)
Interest income on financial instruments designated as held-for-trading	(79)	(1,409)
Change in fair value of held-for-trading financial assets	16	(113)
Interest expense on financial instruments designated as other financial liabilities	501	—
Interest expense (income)	<u>\$ 438</u>	<u>\$ (2,426)</u>

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

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## 16. Capital management:

The Company's objectives in managing capital are to safeguard the Company's assets and to ensure sufficient liquidity to pursue its organic growth and expansion strategy, fund its research and development projects and undertake selective acquisitions in order to maximize the return to its shareholders, while at the same time taking a conservative approach towards financial leverage and management of financial risk. The Company's capital structure consists of shareholders' equity.

The Company's primary use of capital is to finance increases in non-cash working capital items and capital expenditures. The Company currently funds these requirements by its self-generated cash flows.

The Company intends to maintain a flexible capital structure in order to finance its ongoing growth and take advantage of acquisition opportunities and respond to changes in economic conditions.

The Company's objectives for capital for the 2009 fiscal year include:

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	Objectives	2009	2008
Long-term debt to capital ratio	Not to exceed 0.3 to 1.0	0.0 to 1.0	0.2 to 1.0
Current assets to current liabilities ratio	A minimum of 2.0 to 1.0	4.9 to 1.0	3.2 to 1.0

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# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2009 and 2008

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

## 17. Segmented information:

The Company reviewed its operations and determined that it operated in a single reportable operating segment, the broadcast equipment segment. The single reportable operating segment derives its revenues from the sales of hardware and software solutions, including related services, training and commissioning.

2009				
	Sales	Property, plant and equipment	Goodwill	Intangible assets
Canada	\$ 6,575	\$ 22,026	\$ 3,933	\$ 2,500
United States	56,912	7,936	16,629	17,734
Other countries	68,264	763	–	–
	\$ 131,751	\$ 30,725	\$ 20,562	\$ 20,234
2008				
	Sales	Property, plant and equipment	Goodwill	Intangible assets
Canada	\$ 10,109	\$ 14,789	\$ 3,933	\$ 4,330
United States	61,095	9,660	17,044	21,399
Other countries	58,757	983	–	–
	\$ 129,961	\$ 25,432	\$ 20,977	\$ 25,729

Sales are attributed to the geographic locations based on the location of the customers. No customer accounted for more than 10% of total sales in 2009 (one customer accounted for 12% of total sales in 2008).