AASTRA TECHNOLOGIES LIMITED
ANNUAL REPORT 2011

AASTRA

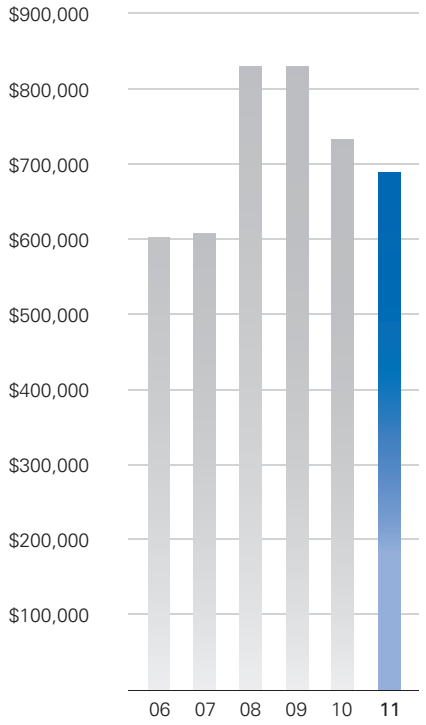
FINANCIAL HIGHLIGHTS

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

	2011	2010	2009	2008	2007	2006[3]
Financial Performance						
Sales	$ 692,994	$ 716,936	$ 832,897	$ 832,070	$ 606,589	$ 600,536
Gross Margin	42.3%	43.4%	45.9%	44.9%	42.5%	41.9%
Operating Profit from Continuing Operations[4]	$ 31,244	$ 35,055	$ 59,682	$ 31,439	$ 44,393	$ 30,831
Profit	$ 26,172	$ 25,388	$ 44,611	$ 11,477	$ 35,767	$ 41,979
Basic Earnings Per Share	$ 1.86	$ 1.81	$ 3.26	$ 0.74	$ 2.23	$ 2.44
Diluted Earnings Per Share	$ 1.85	$ 1.80	$ 3.20	$ 0.73	$ 2.17	$ 2.38
Financial Position						
Net Working Capital	$ 222,833	$ 189,013	$ 183,971	$ 178,788	$ 210,844	$ 190,238
Total Assets	$ 567,525	$ 591,994	$ 585,480	$ 680,690	$ 446,685	$ 465,547
Shareholders' Equity	$ 322,223	$ 316,575	$ 302,841	$ 293,807	$ 265,047	$ 242,333
Book Value Per Share	$ 22.97	$ 22.53	$ 21.86	$ 19.90	$ 16.55	$ 15.09
Debt to Equity Ratio	0.8 to 1	0.9 to 1	0.9 to 1	1.3 to 1	0.7 to 1	0.9 to 1
Common Shares Outstanding	14,031	14,054	13,852	14,766	16,015	16,010

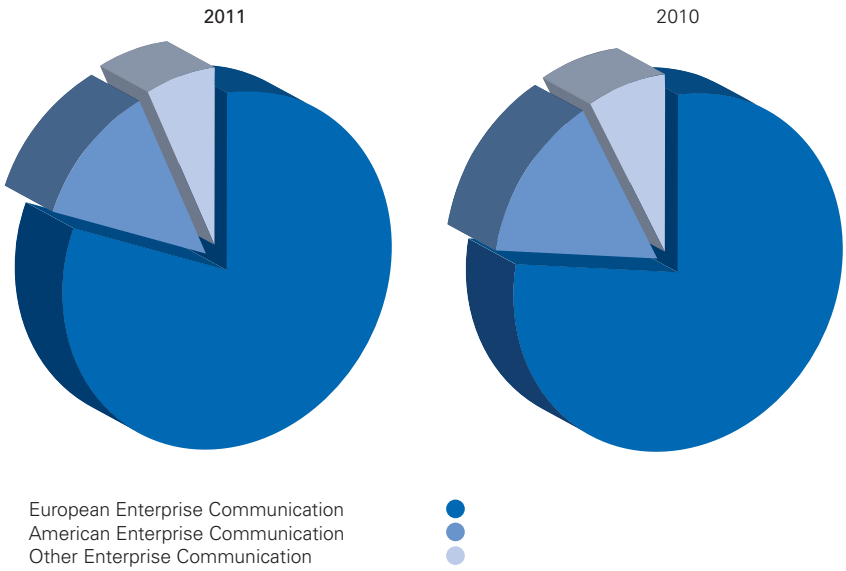
Notes:
(1) Information for the years 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards.
(2) Information for the years 2009, 2008, 2007 and 2006 have been prepared in accordance with Canadian Generally Accepted Accounting Principles.
(3) Results of the Digital Video business have been reclassified to discontinued operations.
(4) Operating Profit from Continuing Operations is defined as gross margin less selling, general and administrative, research and development, and depreciation and amortization expenses.

ANNUAL SALES



REVENUE BY GEOGRAPHICAL SEGMENT

	2011	2010
European Enterprise Communication	560,737	561,519
American Enterprise Communication	86,540	102,660
Other Enterprise Communication	45,717	52,757
	692,994	716,936



GLOBAL ENTERPRISE COMMUNICATIONS LEADERSHIP

Aastra develops, markets, and supports a comprehensive portfolio of Enterprise Communications products, systems, and applications including a full range of both traditional and open standard Internet Protocol-based solutions. These include communications servers, gateways, telephone terminals, wireless devices, advanced software applications, UC clients and Unified Communication applications. We are entirely focused on the Enterprise Communications market.

Our Enterprise Communications products encompass a full line of business telephony solutions:

- Call managers
- Analog, digital, and SIP telephone terminals
- Unified Communication applications
- High Definition video conferencing and collaboration solutions
- Integrated mobility solutions
- Multimedia contact center solutions

Headquartered in Concord, Ontario, Canada, we have a direct presence in over 30 countries, and leverage a global network of partners and resellers which extends our reach to serve more than 100 countries. Aastra's operations encircle the world, with more than 50 million lines installed. We are dedicated to helping enterprises succeed by meeting their expanding communication needs while exceeding their expectations for value and performance.

Our mission is to enable our customers to communicate effectively, collaborate efficiently, and manage change with agility. We are dedicated to supporting our customers through the development and implementation of the latest in open standard IP products and systems, integrated mobility solutions, HD video conferencing and collaboration solutions, and advanced UC applications.

Our Global Research and Development organization continues to evolve our technology platforms, and champions our commitment to open standards.

Aastra Technologies Limited is a Canadian public company listed on the Toronto Stock Exchange under the trading symbol AAH.

Aastra 630d
SIP DECT

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OPERATIONAL HIGHLIGHTS

YEAR IN REVIEW

In 2011, we focused on maintaining our profitability and market share in our core markets in Europe and North America, while reorganizing operations and strategy in Asia-Pacific and the Middle East. Europe is our largest geographic market, representing approximately 81% of our business activities. Our efforts in Europe were affected by weak market conditions due to the sovereign debt contagion. Combined with lack of market visibility and volatility in our operating results, this caused us to re-evaluate some of our initiatives. Despite weak market conditions, increased competition, and price pressure, we maintained our profitability and closed 2011 with our 55th consecutive profitable quarter.

OPERATIONAL HIGHLIGHTS

- Generated revenues of $693.0 million as compared to $716.9 million in 2010. Excluding the negative impact of foreign exchange, sales would have declined by 5.2% year over year. We closed the year with our 55th consecutive profitable quarter.
- Continued to pay quarterly dividends to shareholders of $0.20 per Common Share each quarter.
- Continued to expand our channel presence and market reach, adding new distributors and partners in Asia-Pacific, the Middle East, Europe, and North America.
- Launched several new products, applications and services including:

  – *The Aastra BluStar 8000i desktop media phone – which has received numerous industry recognition awards*

  – *The Aastra 400 series – communication servers targeting the SMB market and delivering a full range of Unified Communications and Collaboration (UCC) applications, mobility solutions, and user-centric devices*

  – *The Aastra 700 – a unified communications solution for the SMB market comprised of a call control manager and a comprehensive range of UC applications pre-installed on a single virtualised server environment*

  – *A new version of Aastra SIP-DECT – providing a highly scalable on-site mobility solution for small, medium and large enterprises*

  – *Expanded the SIP phone portfolio with the addition of two new High Definition (HD) audio products – the Aastra 6735i and Aastra 6737i*

  – *Aastra InAttend – a new multi-featured attendant solution with advanced collaboration options*

AASTRA FACTS

- International reach with 2,000 employees around the world.
- Direct presence in over 30 countries, and leverages a wide distribution network of partners and resellers to extend its reach to over 100 countries.
- 100% focus on enterprise communications, with a well-established track record of protecting customers' communications technology investments.
- More than 50 million lines installed globally – one of the largest customer bases of any global telephony provider.
- A broad portfolio of enterprise communications solutions to satisfy every customer's requirements.
- A commitment to open standards in standalone network elements and complete system solutions.
- Invested strategically in R&D to remain at the forefront of IP technology.
- 55 consecutive quarters of profitability and a strong balance sheet with a positive net cash balance.

PRODUCTS, APPLICATIONS, AND SERVICES

Aastra's innovative, integrated solutions address the Enterprise Communications needs of businesses and organizations – both small and large – around the world. Aastra enables enterprises to communicate and collaborate effciently and effectively through a full range of open standard IP-based and traditional communications networking products, including terminals, systems, and applications.

Aastra has one of the world's largest installed customer bases, and the company is well positioned to serve its global market. Aastra markets Enterprise Communications solutions and services in over 100 countries, through direct and indirect sales channels, distributors and Tier 1 service providers in North America, Europe, the Middle East and Africa, Central and Latin America, and throughout the Asia-Pacific region.

Enterprise Communications Infrastructure

- Server-based call managers
- Telephone terminals (analog, digital, and IP)
- Wireless devices (DECT, WiFi, DECT over IP)
- PBX and IP-PBX telephone systems
- HD video conferencing platforms and desktop media terminals
- Interface adapters and media gateways

Applications

- Corporate networking solutions
- Multimedia contact center solutions
- Softphones and UC clients
- Unified messaging tools
- Integrated voice and video conferencing applications
- Integrated mobility solutions
- System administration tools

Global Support Services

- Customer service, support, and training
- Consulting for communication solution design, system integration and implementation
- Maintenance and repair

Aastra 470 – Feature-rich enterprise communication call manager

OUR SOLUTIONS

Voice over IP

IP Communication Solutions merge communication technologies with business information systems to provide cost-effective, high-quality, converged telephony solutions. Aastra's efficient, reliable, and highly scalable VoIP solutions deliver performance and value.

Unified & Collaborative Communications

Unified and Collaborative Communications include application sharing, instant messaging, presence management, web collaboration, skills-based routing, analytics, and video conferencing. Unified and Collaborative solutions enable individuals and groups to communicate and collaborate effectively, regardless of location.

Mobility & Convergence

Inside or outside of the organization, everyone remains in touch with Fixed Mobile Convergence, IP DECT, WLAN, and other integrated mobility solutions that seamlessly connect users to business applications over wired and wireless networks. Mobility solutions enable a mobile workforce to conduct business whenever they want – at any location, and with any device.

Open Standards

Aastra remains strongly committed to open standards. Open standards enable better scalability and provide enhanced interoperability between different communication system elements. In addition to creating a more flexible and complete solution today, open standards protect our customers' investments by making future growth easy.

Multimedia Conferencing

Aastra provides dramatic "virtual presence" video collaboration between remote parties anywhere in the world. By integrating high-quality, real-time HD video conferencing with advanced business collaboration features and applications, it enhances the way people communicate and collaborate. It's like a face-to-face meeting, enhanced with multimedia and real-time business intelligence, without travel expenses or downtime.

MESSAGE TO SHAREHOLDERS

In 2011, we focused on maintaining our profitability and market share in our core markets in Europe and North America, and increasing our presence in strategic markets in Asia-Pacific and the Middle East. The sovereign debt contagion contributed to weaker market conditions, particularly in Europe, which is our largest geographic market and represents approximately 81% of our business. However, despite weak market conditions, increased competition, and price pressure, we improved our profitability and cash flow, and closed 2011 with our 55th consecutive profitable quarter.

In 2011, we generated revenue of $693 million, as compared to $716.9 in 2010. Excluding the negative impact of foreign exchange as a result of the continued strength of the Canadian dollar, sales would have declined by 5.2% year-over-year, an indication that we were able to maintain our market share in our core markets, even in unstable and volatile market conditions.

Our net earnings were $26.2 million in 2011 compared to $25.4 million in 2010, and our return on equity[1] was 8.3% in 2011 compared to 8.4% in 2010. We generated cash flow of $70.4 million in 2011, as compared to $49.9 million in the previous year. Our cash flow from operations increased as a result of our continued focus on improving profitability and our inventory management. At the end of 2011, cash and short-term investments totaled $134.1 million, compared to $94.9 in 2010.

As a result of these improvements to our cash position, we commenced a substantial issuer bid in February 2012, in order to equitably and efficiently return capital to our shareholders who wished to tender into the bid.

2011 was dominated by the impact of the sovereign debt contagion in Europe, resulting in increased volatility in our month-to-month and quarterly operating results. Our strong balance sheet and stringent cost controls enabled us to weather these adverse market conditions.

We continued with our previous efforts to enhance our R&D efficiency by streamlining activities and aligning resources. We refined our product roadmap to converge our solutions for Small-Medium Enterprises (SME) on our A400 platform, while supporting our A5000 and MX-One platforms for Large-Medium Enterprises (LME).

As our market evolves and the needs of our customers continue to change, we have continued with our strategic plan to embrace open standards, mobility, virtualization, and collaboration. In 2011, we introduced our BluStar™ solution in order to tap into this growth opportunity. This resulted from our strategic review of our market, and is the culmination of our development efforts over the past few years.

Our BluStar solution received numerous industry recognition awards in 2011. It enables end users to conduct video conference calls, collaborate by sharing data on computer screens and other mobile devices, and run business applications for a truly unique experience in unified communications. The key element of the BluStar system is the ease of use that enables video collaboration as part of a converged, unified communication solution.

Aastra BluStar™ Solution

BluStar 8000i

BluStar Client Interface

BluStar Client Outgoing Call

BluStar Client Incoming Call

In the last decade, our industry invested heavily to convert from proprietary circuit-switching technology to Internet protocol (IP) networks. To the end user, this conversion offered little apparent difference in terms of features and capabilities for the telephone on their desktop. However, as part of the IP network and the larger World Wide Web, a larger range of media – voice, data, and video – can connect to a greater number of devices, servers, and networks. We believe that video collaboration, as part of a converged unified communication solution, is an important emerging growth opportunity for us.

In this decade, we believe that video calls will become as ubiquitous as voice calls. This will be driven by mobile communication devices with video capabilities – such as laptops, smartphones, and tablets with front and rear facing cameras. This in turn will increase the adoption of video communication and collaboration even faster at the enterprise level. The implementation and adoption of the LTE and 4G standards for mobile communication will accelerate the adoption and ubiquity of mobile video.

Although 2011 was a challenging year, we did not reduce our commitment to both serving our customers, and actively engaging with them to better understand their needs. Our goal is to be close to our customers, even when they are not actively purchasing, and to be even closer when they do buy our solutions in order to ensure their satisfaction.

Moving forward, we believe that we are well positioned to capitalize on opportunities in our market, especially the growth associated with video collaboration. Unlike many of our competitors, we are financially stable, with a strong balance sheet and a cost structure that is able to withstand the volatility in our market. Led by a cohesive management team that has worked well together for decades to deliver value to our shareholders, we remain passionate about our business. We look forward to growing our business in the coming decade by capitalizing on our opportunities.

F. Shen

Francis Shen
Chairman
& Co-CEO

Anthony Shen

Anthony Shen
Co-CEO
President & COO

Notes:

(1) The return on equity is calculated by using current fiscal year's net income divided by the total shareholders' equity at the beginning of the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") has been prepared by management and is a review of the consolidated operating results and financial position of Aastra Technologies Limited ("Aastra" or the "Company"), based upon International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the consolidated financial statements of the Company, as well as the notes thereto, for the respective years.

These are the Company's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. Previously, the Company prepared its consolidated annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRSs has affected the reported financial position, results of operations and cash flows of the Company is provided in note 33 of the consolidated financial statements.

The Company maintains appropriate systems of internal control, policies, and procedures that provide management reasonable assurance that assets are safeguarded and that its financial information is reliable. All amounts are expressed in Canadian Dollars unless otherwise stated. This MD&A is effective as of February 24, 2012.

This MD&A may contain forward-looking information, or forward-looking statements, within the meaning of applicable securities legislation ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events, or performance (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved), are not statements of historical fact, but are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance or achievements, or developments in our business or in our industry, to differ materially from the anticipated results, performance, achievements, or developments expressed or implied by such forward-looking statements.

Please refer to the heading "Risk Factors" in our Annual Information Form (the "AIF") for the year ended December 31, 2011 for the material factors that could cause our actual results to differ materially from the forward-looking statements contained herein. These factors include: the competitive nature of our industry and consolidation of our competitors; the risks related to volatile economic conditions; our product development and market acceptance of new products; our relationship with strategic sales partners; our reliance on contract manufacturing partners; risk of third party claims for infringement of intellectual property rights by others; exchange rate fluctuations; potential fluctuations in quarterly financial results; risks related to our international operations and exposure to international taxation; risks associated with product returns and product defects; product and geographic concentration in conjunction with the limited range of products that we sell; risks related to technical standards and the certification of our products; our ability to attract and retain top employees; our potential vulnerability to computer and information systems security breaches; competition from third parties; requirements for additional financing of our business and any future acquisitions; possible volatility in our share price; and our ability to protect our intellectual property.

Additional information about the Company, including the Annual Financial Statements, the Annual MD&A, the AIF and other securities filings can be found on the website maintained by the Canadian Securities Administrators at www.sedar.com.

It is important to note that:

- Unless otherwise indicated, forward-looking statements describe our expectations as of the date of this MD&A.
- We caution readers not to place undue reliance on these statements as our actual results may differ materially from our expectations, if known, and unknown risks or uncertainties affect our business, or if our estimates or assumptions prove inaccurate. Therefore, we cannot provide any assurance that forward-looking statements will materialize.
- Other than as required by applicable securities legislation, we assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or any other reason.

AASTRA

FISCAL 2011 FINANCIAL HIGHLIGHTS

- ACHIEVED SALES OF $693.0 MILLION.
- CLOSED THE YEAR WITH 55 CONSECUTIVE QUARTERS OF PROFITABILITY.
- GENERATED $70.4 MILLION OF CASH FLOW FROM OPERATIONS.
- CLOSED THE YEAR WITH $134.1 MILLION IN CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS.

OVERVIEW OF THE COMPANY

Aastra Technologies Limited develops, markets, and supports a comprehensive portfolio of enterprise or business telephony solutions, including IP-PBX ("Private Branch Exchange"), hybrid IP-PBX and traditional PBX telephone systems. In addition, the Company offers a number of analog, digital, and open standard Voice over Internet Protocol ("VoIP") terminals, as well as a range of wireless Digital Enhanced Cordless Telecommunication ("DECT") terminals, and a significant number of advanced software applications, including unified communications, collaborative tools and contact center solutions. The Company serves a number of telephone companies ("telcos"), as well as a vast network of dealers and distributors, and operates primarily in North America and Europe.

OVERVIEW OF RESULTS OF OPERATIONS

The following table presents selected annual information for the years ended December 31, 2011, 2010 and 2009. Information for the years 2011 and 2010 has been prepared in accordance with IFRSs and for 2009 has been prepared in accordance with Canadian GAAP. The amounts are in Canadian Dollars.

SELECTED ANNUAL INFORMATION

($000s – except percentages and per share amounts)	2011		2010		2009	
Revenue	$ 692,994	100.0%	$ 716,936	100.0%	$ 832,897	100.0%
Cost of sales	399,786	57.7%	405,926	56.6%	451,012	54.1%
Gross margin	293,208	42.3%	311,010	43.4%	381,885	45.9%
Expenses (income):						
Selling, general and administrative	178,476	25.8%	184,806	25.8%	217,425	26.1%
Research and development	63,160	9.1%	69,208	9.7%	81,817	9.8%
Depreciation and amortization	20,328	2.9%	21,941	3.0%	22,961	2.8%
Interest expense	–	0.0%	–	0.0%	1,226	0.1%
Foreign exchange loss	3,521	0.5%	9,999	1.4%	3,597	0.4%
Investment income	–	0.0%	–	0.0%	(2,836)	(0.3%)
Other income	–	0.0%	(2,682)	(0.4%)	399	0.1%
Results from operating activities	27,723	4.0%	27,738	3.9%	57,296	6.9%
Finance income	(3,600)	(0.5%)	(3,750)	(0.5%)	–	0.0%
Finance expense	344	0.0%	589	0.1%	–	0.0%
Profit before income taxes	30,979	4.5%	30,899	4.3%	57,296	6.9%
Income taxes	4,807	0.7%	5,511	0.8%	12,685	1.5%
Profit	26,172	3.8%	25,388	3.5%	44,611	5.4%
Earnings per share:						
Basic earnings per share	1.86		1.81		3.26	
Diluted earnings per share	1.85		1.80		3.20	
Total assets	567,525		591,994		585,480	
Total long-term liabilities	49,515		39,580		60,132	
Cash dividend declared per common share	0.80		0.80		0.15	

PRODUCT SEGMENTATION

The Company operates in one product segment, Enterprise Communications. The Enterprise Communications segment develops and markets a full line of enterprise or business telephony solutions, including VoIP, IP-PBX and PBX telephone systems, analog, digital, DECT and VoIP telephone terminals, as well as contact center and other enterprise software solutions. Management reviews the operations of its business geographically and, as such, has split the disclosures presented below into the geographic regions of Europe, the Americas, and Other.

There are two sets of key performance drivers for the Enterprise Communications segment. Where the Company has a direct sales relationship with the end customer, our ability to provide timely service and maintenance of the systems at our customers' sites is a key performance driver. The risk is that our customers experience system downtime, disrupting their operations. This is an essential performance driver of our business in the United States, which sells and services medium to large enterprise telephony solutions, and our direct business in Germany and Belgium, which sell and install small to medium sized enterprise telephony systems.

Where the Company has an indirect sales relationship with the end customer, the first key performance driver is our ability to maintain strong relationships with our sales channels, including service providers, distributors, and partners, which sell our products to the end customer. The Company strives to keep our sales channels educated and trained on all of our products in order to sell to and service our end customers. The second key performance driver is our ability to offer a product road map and remain current on technological changes in our market, including Unified Communications, fixed-mobile convergence, VoIP, cordless technologies, and software applications for the enterprise customer.

SALES

EFFECT OF FOREIGN EXCHANGE ON SALES

The Company's reporting currency is the Canadian Dollar. The results for 2011 include only 1.8% of sales generated by customers in Canada. Foreign exchange rates between the Canadian Dollar and major global currencies significantly affect the Company's reported operating results. The following chart shows the average exchange rates for 2011 and 2010 from selected foreign currencies to Canadian Dollars. A negative variance represents the weakening of foreign currencies against the Canadian Dollar during 2011:

1 unit of foreign currency = Canadian Dollars	**2011**	2010	$ variance	% variance
U.S. Dollar	**0.9891**	1.0299	(0.0408)	(4.0%)
Euro	**1.3767**	1.3661	0.0106	0.8%
Swiss Franc	**1.1187**	0.9896	0.1291	13.0%
British Pound	**1.5861**	1.5918	(0.0057)	(0.4%)
Swedish Krona	**0.1525**	0.1432	0.0093	6.5%

The strengthening of the Canadian Dollar against the U.S. Dollar and the British Pound means that if sales earned by the Company and denominated in these currencies were equal in 2011 and 2010, they would be translated into fewer Canadian Dollars in 2011 than in 2010. The opposite can be said of the Euro, the Swiss Franc and the Swedish Krona because the Canadian Dollar weakened against these currencies in 2011.

The impact on sales of the change in foreign currency rates between 2011 and 2010 was a net positive of approximately $13.6 million. Excluding the positive impact from foreign exchange, the Company's sales decreased by 5.2% for the year ended December 31, 2011 when compared to the same period of 2010.

SEGMENT SALES BY GEOGRAPHIC DISTRIBUTION

($000's – except percentages)	**2011**		2010		$ variance
Europe	**$ 560,737**	**80.9%**	$ 561,519	78.3%	**$** (782)
Americas	**86,540**	**12.5%**	102,660	14.3%	(16,120)
Other	**45,717**	**6.6%**	52,757	7.4%	(7,040)
Total Sales	**$ 692,994**	**100.0%**	$ 716,936	100.0%	$ (23,942)

European Enterprise Communication sales slightly decreased by $0.8 million or 0.1%, from $561.5 million in 2010 to $560.7 million in 2011. Without the fluctuation in exchange rates, sales in Europe, which include small business as well as medium to large enterprise IP-PBX systems and VoIP terminals, decreased by 2.6%. Excluding the impact of foreign exchange, sales in France and Belgium increased in 2011 over 2010. Sales in the Company's largest market, Germany, were flat while sales from Sweden, Switzerland and Spain decreased slightly from the previous year.

The American Enterprise Communications sales decreased by 15.7%, from $102.7 million in 2010 to $86.5 million in 2011. Geographically, this segment encompasses Canada, the U.S., Brazil and other markets in Latin America. During 2011, sales in Canada decreased by 16.4% compared to 2010 as declines in sales of legacy analog and digital terminals were not offset by growth in IP terminals or large system sales. Sales in the U.S. decreased by 14.6% from $67.0 million in 2010 to $57.2 million in 2011. Sales of analog, digital, and IP terminals were all down in 2011, while service revenue and product sales from large systems was also down slightly from 2010. In South America, sales decreased by $3.5 million in 2011 compared to 2010 due to weaker sales throughout the region, including Brazil and Mexico.

Sales in other foreign jurisdictions decreased from $52.8 million in 2010 to $45.7 million in 2011. This segment includes sales into Africa, the Middle East, and the Asia-Pacific region. Aastra benefited from the sale of a large installation in Africa early in 2010 which was not repeated this year. This installation accounted for a sale of approximately $4.3 million.

GROSS MARGIN

Gross margin decreased from 43.4% of sales in 2010 to 42.3% of sales in 2011. The following table presents gross margin by geographic distribution:

($000s – except percentages)	Gross Margin 2011	% of Segment Revenue	Gross Margin 2010	% of Segment Revenue
Europe	$ 245,151	43.7%	$ 247,805	44.1%
Americas	31,232	36.1%	43,786	42.7%
Other	18,496	40.5%	21,276	40.3%
Corporate	(1,671)	–	(1,857)	–
Total	$ 293,208	42.3%	$ 311,010	43.4%

In Europe, gross margins decreased from 44.1% in 2010 to 43.7% in 2011. Gross margin in this segment decreased as a result of slightly lower material margins which were only offset partially by a lower overhead ratio. Material margins have decreased for several reasons including product mix, additional inventory provisions, competitive selling price pressure as well as the impact of foreign exchange as the Euro weakened during the year against our main purchasing currency, the U.S. Dollar.

In the Americas, gross margin decreased from 42.7% in 2010 to 36.1% in 2011. This decrease was as a result of several factors including an unfavourable revenue mix in the U.S. as well as lower margins realized on larger installations in the Brazilian market in 2011. In addition, the reversal of certain royalty charges increased margins in 2010 while additional inventory provisions had the effect to further heighten the decrease of gross margin in 2011 when compared to last year. Gross margin in the other foreign jurisdictions were stable at 40.5% of sales in 2011 compared to 40.3% of sales in 2010.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative ("SG&A") expenses decreased from $184.8 million or 25.8% of sales in 2010 to $178.5 million or 25.8% of sales in 2011. Of the total decrease of $6.3 million, labour costs decreased by $2.2 million, bad debts decreased by $1.3 million and other SG&A expenses, including facilities and marketing, decreased by $2.8 million. Excluding the impact of foreign exchange, SG&A expenses decreased by $10.2 million or 5.5% as the Company continued to manage its operating expenses, investing in sales and marketing activities while searching for continued efficiencies in its administrative and other back office costs.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development ("R&D") expenses were $63.2 million or 9.1% of sales in 2011, compared to $69.2 million, or 9.7% of sales in 2010, representing a decrease of $6.0 million or 8.7%. Excluding the impact of foreign exchange, R&D expenses decreased by $8.6 million or 12.5%. The Company continues to streamline its development efforts to gain efficiency across all its various product lines. This has led us to decrease our use of external development resources as we shift projects to our internal development groups.

In 2002, Aastra entered into an agreement with Technology Partnerships Canada. This program provided Aastra a maximum of $9.9 million in funding to reimburse 33% of eligible costs of a research project, aimed at developing new wireless or VoIP communication devices. The funding was received during the period from 2002 to 2005. The agreement specifies repayment of the funding to be 2.2% of Gross Project Revenues, to a maximum of $20.6 million, or until the repayment period expires on December 31, 2012. Such repayments will be recorded as royalty expenses at the time they are made. In 2011, the Company paid royalties of $0.7 million (2010 – $0.8 million) to Technology Partnerships Canada.

In addition to the benefits previously received under the TPC program with the Canadian government, Aastra continues to explore opportunities to receive benefits from governments regarding its investment R&D activities. During 2011, the Company recorded a total benefit of $2.6 million (2010 – $3.6 million) relating to government investment tax credits, earned from R&D activities in Europe and North America. These tax credits were recorded as a reduction to reported research and development expenses, and will offset income taxes otherwise payable in these regions.

We continue to consolidate and align core R&D competencies with the needs of the marketplace. This alignment of resources aims to eliminate overlapping development activities, focus resources on new revenue building initiatives, and significantly enhance development efficiencies. This will, in turn, improve the time to market for new products, while continuing to support our customers with maintenance releases for all our core products. The Company is currently focusing its development activities on upgrading its IP systems for small, medium and large enterprises, Unified Communication Solutions, integration of mobility solutions as well as IP terminals including desktop video solutions.

DEPRECIATION AND AMORTIZATION

Excluding the depreciation of tooling, which is recorded as part of cost of sales, depreciation and amortization expense decreased from $21.9 million in 2010 to $20.3 million in 2011. Included in total depreciation and amortization expense is $6.9 million of depreciation on property, plant and equipment (2010 – $7.4 million) and $13.4 million of amortization of intangible assets (2010 – $14.5 million).

FOREIGN EXCHANGE

Aastra recognized a loss on foreign exchange of $3.5 million in 2011 compared to $10.0 million in 2010. During 2011, the loss on foreign exchange was primarily caused by the Euro declining significantly against the Swiss Franc. The weakening of the Euro against mainly the Swiss Franc caused the Company to recognize transactional foreign exchange losses on settlements denominated in these foreign currencies in our European operations in the year.

OTHER INCOME

On March 1, 2010, the Company sold shares and certain assets comprising its optical transmission and multiplexer product line, to KEYMILE GmbH, for consideration of $3.6 million. The gain on the sale of this product line of $2.7 million has been recognized in Other Income on the consolidated statement of profit. The operations and cash flows disposed could not be distinguished from the rest of the Company and as such are not disclosed as discontinued operations.

FINANCE INCOME

Finance income consists of income on finance-type leases, mainly in Spain and Belgium, interest income earned on short-term investments and fair value adjustments on investments. Finance income decreased slightly from $3.8 million in 2010 to $3.6 million in 2011. In 2011, the Company recognized an increase of $0.1 million in the fair value of its MAV II investment (2010 – an increase of $0.7 million).

The Company continues to invest its excess cash primarily in highly liquid cash equivalents or short-term instruments such as Canadian banker acceptances, treasury bills, and government bonds in an effort to achieve a low-risk rate of return on these balances, while always maintaining the liquidity of these funds for other corporate purposes.

FINANCE EXPENSE

Finance expense consists of interest expense incurred on loans outstanding and the usage of credit facilities during the year. The Company recognized finance expense of $0.3 million in 2011 compared to $0.6 million in 2010.

ANNUAL IMPAIRMENT ASSESSMENT

The Company evaluates goodwill, intangible assets and property, plant and equipment in the fourth quarter of each year or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a cash-generating unit ("CGU") exceeds the recoverable amount, which is determined as the greater of its value-in-use and its fair value less cost to sell.

The process of determining the recoverable amount of a CGU is subjective and requires management to exercise significant judgment in estimating future growth rates and discount rates, among other factors. The assumptions used in the annual impairment assessment are determined based on past experiences adjusted for expected changes in future conditions. The major assumptions include projections of cash flows, with primary emphasis on our 2012 budget which was approved by the Board of Directors. The weighted average cost of capital of approximately 18% was used, on a pre-tax basis, to discount the cash flows. A sensitivity analysis was performed to identify the impact of changes in assumptions, including discount rates and projected growth rates. Management did not identify any reasonably probable changes in assumptions that would result in material impairments to our CGUs and as such no impairment was recorded against goodwill, intangible assets or property, plant and equipment as the recoverable amounts exceeded their carrying amounts.

INCOME TAX EXPENSE

Income tax expense was $4.8 million or 15.5% of pre-tax income in 2011 compared to $5.5 million in 2010 or 17.8% of pre-tax income. The Company has continued to report an income tax rate that is significantly lower than its statutory income tax rate in Canada because most of its taxable income is earned in jurisdictions with an income tax rate lower than the Canadian statutory income tax rate.

PROFIT

As a result of strong control of its cost base, profit in 2011 increased to $26.2 million or 3.8% of sales from $25.4 million or 3.5% of sales in 2010.

FAIR VALUE OF ASSET-BACKED COMMERCIAL PAPER ("ABCP")

In July 2007, the Company invested $8.5 million in ABCP, issued by Structured Investment Trust III, which was rated R1-High by the Dominion Bond Rating Service at the time it was purchased. In August 2001, the market for trading certain ABCP in Canada was halted after several issuers of ABCP could not obtain financing to roll their investments. Pursuant to a restructuring plan, the Company received notes ("MAV II investment") as a replacement for its ABCP.

The Company received $0.07 million interest on this investment during 2011 compared to $0.02 million received during 2010.

At December 31, 2010 and January 1, 2010 the Company performed a detailed valuation to determine the fair value of the MAV II investment using a going concern valuation approach to a discounted cash flow model to come up with a range of reasonably possible outcomes. However, during 2011, the market for MAV II notes gradually transitioned from inactive and illiquid to partly active and increasingly liquid. As a result, the Company calculated the fair value of its investment on a blended basis between current market price and the fair value from the valuation model described above.

The MAV II investment is classified as a long-term asset on the consolidated statement of financial position at $5.4 million (December 31, 2010 – $5.3 million). In 2011, the Company recognized an increase in the fair value of the MAV II investment of $0.1 million (2010 – $0.7 million).

The Company is continuing to monitor market conditions. Based on existing knowledge, it is reasonably possible that changes in future conditions in the near term could require additional changes in the valuation of the MAV II investment.

QUARTERLY INFORMATION

The following table presents key financial information by quarter for the current and previous year:

($ 000's – except per share amounts)	Sales	Profit	Basic EPS	Diluted EPS
2011				
Quarter One	**$ 162,706**	**$ 184**	**$ 0.01**	**$ 0.01**
Quarter Two	**174,050**	**6,087**	**0.43**	**0.43**
Quarter Three	**156,557**	**1,686**	**0.12**	**0.12**
Quarter Four	**199,681**	**18,215**	**1.30**	**1.30**
2010				
Quarter One	$ 171,065	$ 4,116	$ 0.30	$ 0.29
Quarter Two	170,315	5,147	0.37	0.36
Quarter Three	160,686	79	0.01	0.01
Quarter Four	214,870	16,046	1.14	1.13

The quarterly sales figures in 2011 and 2010 highlight the seasonality of our third and fourth quarter operating results. Normally, the Company experiences seasonally lower sales in Europe in the third quarter as businesses shut down for the summer holiday while the fourth quarter is seasonally stronger.

Sales for the three months ended December 31, 2011 were $199.7 million, compared to sales of $214.9 million for the same period in 2010, a decrease of 7.1%. Excluding the impact of foreign exchange, sales decreased by $17.7 million or 8.3% on a constant currency basis, in the fourth quarter of 2011 when compared to the same quarter last year.

Sales in Europe decreased from $173.3 million in the three months ended December 31, 2010 to $165.8 million in the same period in 2011, a decline of 4.3%. This segment experienced weaker sales in several countries including Italy, Denmark, France, and Portugal during the fourth quarter. However, sales in several of the Company's larger markets including Germany, Switzerland, Spain and Belgium were generally stable in the quarter when compared to the same period last year.

Sales in the Americas decreased from $28.7 million in the three months ended December 31, 2010 to $22.3 million in the same period in 2011, a decrease of 22.5%. During the three months ended December 31, 2011, sales in Canada decreased by 21.1 % compared to 2010. In addition, sales in the U.S. decreased by 25.4% to $13.7 million in the quarter. Sales in both Canada and the U.S. continue to be hurt by weaker sales of analog and digital terminals, while the U.S. also saw weaker service revenue from ongoing maintenance contracts on its large systems in the fourth quarter. Sales in Latin America decreased by $0.8 million to $4.5 million in the fourth quarter of 2011, when compared to the same quarter of 2010, primarily as a result of weakness outside of Brazil during the fourth quarter when compared to the same quarter in 2010.

Sales in other foreign jurisdictions decreased from $12.8 million in the three months ended December 31, 2010 to $11.6 million in the three months ended December 31, 2011, mainly as a result of weaker sales in Australia.

Gross margin was 43.2% of sales for the three months ended December 31, 2011, compared to 44.4% of sales in the same quarter last year. In Europe, gross margin increased from 44.6% in 2010 to 45.4% in the fourth quarter of 2011 mainly as a result of a shift in product mix as well as a decrease in project price discounting during the quarter. In Americas, gross margin decreased from 48.4% in the fourth quarter of 2010 to 30.6% in the same period of 2011. This decrease was as a result of several factors including an unfavourable revenue mix in the U.S. as well as lower margins realized on larger installations in the Brazilian market late in 2011. In addition, the reversal of certain royalty charges increased margins in 2010 while additional inventory provisions had the effect to further heighten the decrease of gross margin in the fourth quarter of 2011 when compared to last year.

Selling, general, and administrative expenses were $44.4 million, or 22.2% of sales, in the quarter, compared to $51.1 million, or 23.8% of sales, in the fourth quarter of 2010. Excluding the impact of foreign exchange, SG&A expenses decreased by 14.0% in the three months ended December 31, 2011 compared to 2010. The Company experienced lower labor costs across many of its regions as a result of lower short-term incentive payments as well as the effort of certain restructuring activities completed earlier in the year.

Research and development expenses in the fourth quarter of 2011 were $14.8 million or 7.4% of sales, compared to $18.0 million, or 8.4% of sales, in the comparable quarter of 2010. The decrease in R&D expenses relates to a decrease in the use of external development companies for certain projects as these roles are taken on internally with our current development groups. The fourth quarter of 2011 includes a benefit of $0.3 million from investment tax credits while, in the same period of 2010, there was a benefit of $1.1 million from investment tax credits. As always, the Company continues to look for ways to streamline its development efforts to create effectiveness across its multiple product lines.

Income tax expense was $3.4 million in the fourth quarter, or 15.8% of pre-tax net earnings, compared to $3.6 million or 18.2% of pre-tax net earnings in the fourth quarter of 2010.

As a result of the above, profit for the three months ended December 31, 2011 was $18.2 million, or $1.30 diluted earnings per share, compared to $16.0 million, or $1.13 diluted earnings per share, in the same period in 2010.

OVERVIEW OF THE BALANCE SHEET

Liquidity and Capital Resources

At December 31, 2011, the Company held $134.1 million of cash, cash equivalents, and short-term investments, compared to $94.9 million at the end of 2010.

Cash flow from operations was $70.4 million in 2011 in comparison to $6.1 million in 2010. The increase is due to the reversal in 2011 of certain working capital balances built up during the 2010 year end. At December 31, 2011, Aastra had net working capital of $222.8 million, compared to $189.0 million at December 31, 2010. The inventory balance decreased from $115.4 million in 2010 to $81.0 million in 2011 as the Company focused on improving its internal operating processes and policies regarding stock levels and locations. We expect the inventory balance to remain at or around the year end 2011 level as the Company balances continued improvement in its operational processes against the need to meet customers' increasing demands for timely delivery of our products. The accounts receivable balance decreased from $184.0 million in 2010 to $167.1 million in 2011 and aged receivables decreased slightly, ending the year at approximately 77 days of sales in receivables in the fourth quarter of 2011, compared to 78 days of sales in receivables in the fourth quarter of 2010. The Company continues to pursue its goal of achieving the best credit policies possible in each of the countries in which it operates. However, customers in Western Europe generally have significantly longer credit terms than those in North America and, as a result, the consolidated accounts receivable turnover will continue to be longer than North American standards.

Investing activities used cash flow of $2.4 million during 2011, compared to $6.9 million in 2010. Investment outflows in 2011 and 2010 were primarily for property, plant and equipment.

Financing activities used cash flow of $27.7 million during 2011 compared to $23.4 million in 2010. During 2011, the Company repaid the balance of the three-year term loan in the amount of $15.3 million or 100.0 million Swedish Kronor (2010 – $14.7 million or 100.0 million Swedish Kronor) and paid four quarterly dividends of $0.20 per share on its common shares, for an aggregate dividend amount of $11.3 million (2010 – $11.2 million). Shareholders of Aastra are entitled to receive dividends only if and when such dividends have been declared and there is no entitlement to any dividends prior to any declaration thereof by Aastra's Board of Directors.

As of December 31, 2011 and December 31, 2010, the Company did not have any off-balance sheet financing or special purpose entities.

At December 31, 2011, excess cash was invested in highly liquid short-term instruments, which allows the Company to meet its cash demands within short time frames.

At December 31, 2011, the Company had approximately $18.0 million (2010 – $18.0 million) of available bank overdraft facilities to provide short-term financing, of which $nil (2010 – $0.2 million) was used. The Company had $0.05 million (2010 – $0.3 million) drawn under longer term credit facilities used to finance equipment leases in Europe.

The Company's objectives when managing its capital are:

(a) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;

(b) to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business;

(c) to safeguard the Company's ability to obtain financing should the need arise; and

(d) to maintain financial flexibility in order to have access to capital in the event of future acquisitions, and to manage the business through changing economic conditions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above. The Company also responds to changes in economic conditions and the risk characteristics of the underlying assets and its working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, repurchase shares, pay dividends, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures.

The Company monitors the return on capital, which is defined as profit divided by total equity. There were no changes in the Company's approach to capital management during the year ended December 31, 2011. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Company is confident that its liquidity position will continue to be strong throughout 2012, based on current cash balances, unused and potential additional credit facilities, and the continued generation of cash flow from current operations.

STOCK OPTION PLANS

The Company operates two stock option plans, the first of which was initiated during the year 2000 and is hereafter referred to as the "2000 Option Plan". The second plan was approved by shareholders at the Company's Annual General Meeting in May 2006 and is hereafter referred to as the "2006 Option Plan". Under the 2000 Option Plan, 3,000,000 common shares of the Company were reserved for the issuance of stock options and the Company granted stock options to certain employees, officers and directors. No further grants of options are permitted under the 2000 Option Plan since the approval of the 2006 Option Plan in May 2006. As of February 24, 2012, there were 111,500 options previously granted and still outstanding under the 2000 Option Plan.

Under the 2006 Option Plan, the Company is able to grant options up to 10% of its outstanding share capital as of the date of approval of the 2006 Option Plan. Options are priced at the weighted average share price outstanding for the five days preceding the option grant date. The Company has granted stock options to certain employees, officers and directors. Stock options currently granted vest over periods from one to six years, and expire between five and ten years from the date of grant. During 2011, the Company issued $0.9 million (2010 – $3.3 million) of common shares in accordance with the stock option plans. The number of outstanding common shares and stock options of Aastra Technologies Limited on February 24, 2012, was 14,031,485 and 1,371,000, respectively. The number of options vested and exercisable on February 24, 2012 was 779,625.

STOCK APPRECIATION RIGHTS PLAN

The stock appreciation rights plan ("SARs"), which commenced on July 28, 2010, is a long-term cash incentive plan for directors, officers, and employees of the Company's non-Canadian subsidiaries. Under the SARs plan, participants are eligible to receive an award of share units having a specified award market value. The award market value is the weighted average trading price of the Company's shares on the Toronto Stock Exchange ("TSX") on the ten trading days immediately preceding the award date. The SARs have up to a 5-year term, vest over four years on each anniversary date of the grant and are exercisable at any time after the share units have vested. Upon exercise, each participant is entitled to receive the amount by which the exercise market value, which is the weighted average trading price of the Company's share price on the TSX on the ten trading days immediately preceding the exercise date, exceeds the award market value, less any applicable withholding taxes.

As of February 24, 2012, there were 40,000 share units granted and still outstanding under the SARs plan. During 2011, the Company reversed compensation expense of $0.002 million (2010 – recognized compensation expense of $0.33 million) associated with the share units.

SHARE REPURCHASE PROGRAMS

Over the past several years, the Company has used cash to repurchase its own shares from the market.

On December 17, 2008, the Company received regulatory approval to repurchase for cancellation up to 2,500,000 of its common shares, in a range of $10.00 to $12.50 per share, through a Dutch auction issuer bid (the "2009 Bid"). The 2009 Bid terminated on January 27, 2009. During the year ended December 31, 2009, 1,417,738 shares were repurchased at a per share value of $12.50, for an aggregate purchase amount of $17.7 million. This resulted in $8.7 million being recorded as a reduction to share capital and $9.0 million as a reduction in retained earnings. No shares were repurchased in 2008 under the 2009 Bid.

On October 19, 2009, the Company received regulatory approval to a Normal Course Issuer Bid (the "2009 NCI Bid") which commenced on October 26, 2009 and expired on October 25, 2010. No shares were repurchased under the 2009 NCI Bid.

On October 25, 2010, the Company received regulatory approval to commence a Normal Course Issuer Bid (the "2010 NCI Bid") which commenced on October 27, 2010 and expired on October 26, 2011. Under the 2010 NCI Bid, the Company could repurchase up to 700,000 of its common shares. During the year ended December 31, 2011, 55,400 shares were repurchased at a per share value of $15.23, for an aggregate purchase amount of $0.8 million. This resulted in $0.4 million being recorded as a reduction to share capital, and $0.4 million as a reduction in retained earnings.

On November 1, 2011, the Company received regulatory approval to commence a Normal Course Issuer Bid (the "2011 NCI Bid") which commenced on November 3, 2011 and will expire on November 2, 2012. Under the 2011 NCI Bid, the Company may repurchase up to 700,000 of its common shares. During the year ended December 31, 2011, 37,500 shares were repurchased at a per share value of $13.75, for an aggregate purchase amount of $0.5 million. This resulted in $0.2 million being recorded as a reduction to share capital, and $0.3 million as a reduction in retained earnings.

DEFINED BENEFIT PENSION PLANS

The Company participates in four defined benefit pension plans. The funding status, cash contributions, and future pension expense for each plan are discussed below.

The defined benefit plans in France and Germany are not legally required to be funded and, as such, no assets have been set aside for this purpose. The funding of these plans will only occur as the employees retire. The current average age of plan participants is 45 years and the retirement age is 65 years.

The defined benefit plan in Switzerland is a funded plan financed by employee and employer contributions defined in the plan regulations. The plan incorporates retirement savings and death and disability benefits. Under Swiss law, if the plan assets are less than ninety percent of the statutory defined benefit obligation, the pension plan must take action to correct the position so that the plan is fully funded within seven years. The statutory obligation is calculated differently than the actuary obligation as it is not a present value calculation and it excludes future salary and turnover increases, among other differences. At December 31, 2011, under the actuarial calculation, the Swiss plan assets are 82% (2010 – 96%) of the defined benefit obligation of Swiss Francs 83.3 million or $90.3 million (2010 – Swiss Francs 71.7 million or $76.3 million). This plan is sponsored by Ascom AG, which sold the Ascotel business to Aastra in September 2003.

The benefit plan in North America consists of Individual Pension Plans ("IPP") for senior executives and the contributions into these IPPs are calculated by an actuary based on the T4 earnings of each individual and certain actuarial assumptions. Under the IPP plans, a rate of return of 7.5% per annum is guaranteed on plan assets and when actual returns are lower than 7.5%, further contributions must be made by the Company to fund the shortfall, after a calculation is performed by the actuary. At December 31, 2011, the North American plan assets were 87% (2010 – 91%) of the defined benefit obligation of $2.1 million (2010 – $1.8 million).

There are several risks surrounding defined benefit plans. The Company's cash contribution requirements may increase more than expected because there is no assurance that plan assets will be able to earn the assumed rate of return, and because market driven changes may result in change in the discount rates used to calculate required contributions. There is a certain amount of uncertainty incorporated into the actuarial valuation process. Please see section Critical Accounting Estimates below for a further discussion.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The following table shows Aastra's contractual obligations:

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Purchase obligations[1]	$ 1,312	$ 1,312	$ –	$ –	$ –
Defined benefit pension contributions[2]	2,562	2,400	162	–	–
Loans payable	650	512	138	–	–
Operating leases	72,812	22,040	29,543	13,795	7,434
Total Contractual Obligations	$ 77,336	$ 26,264	$ 29,843	$ 13,795	$ 7,434

Notes:
(1) Aastra has entered into certain industry standard product purchase obligations with a number of third party manufacturers. Purchase obligations are based on a rolling one to three month forecast provided by Aastra with a particular flexibility percentage built into the agreement.
(2) Represents the 2012 and 2013 estimated cash funding of our defined benefit pension plans. We will continue to have funding obligations in each future period; however, we are not currently able to estimate those amounts.

As discussed above in the section entitled "Research and Development Expenses", the Company is party to an agreement with Technology Partnerships Canada which specifies repayment of funding based on 2.2% of gross Project Revenues. The obligation for repayment is not determinable as it is based on future sales.

The Company is also subject to various contingent obligations that become payable only if certain events or rulings were to occur. The inherent uncertainty surrounding the timing and financial impact of these events or rulings prevents any meaningful measurement, which is necessary to assess impact on future liquidity. Such obligations include further funding of defined benefit pension plans and potential settlements resulting from litigation.

The Company is subject to tax audits by local tax authorities. Tax authorities could challenge the validity of the Company's intercompany financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgment. If any of these tax authorities are successful in challenging the Company's intercompany transactions, the Company's income tax expense may be adversely affected and the Company could also be subjected to interest and penalty charges.

OFF-BALANCE SHEET TRANSACTIONS

The Company's obligations under guarantees are not recognized in the financial statements, but are disclosed. The Company provides routine commercial letters of credit, letters of guarantee, contractual vendor rebates, and indemnifications to various third parties, whose terms range in duration and often are not explicitly defined. At December 31, 2011 and 2010, the Company had no off-balance sheet arrangements other than those noted above.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified and passed to its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, with the participation of the Company's Chairman and Co-Chief Executive Officer (Co-CEO), Co-Chief Executive Officer, President and Chief Operating Officer (Co-CEO), and Vice President of Finance and Chief Financial Officer (CFO), to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with GAAP.

The Company filed certifications, signed by the Co-CEOs and CFO, with the Canadian Securities Administrators ('CSA') upon filing of the Company's 2011 annual filings. In those filings, the Company's Co-CEOs and CFO certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Company's disclosure controls and procedures, and the design and effectiveness of internal controls over financial reporting. The Company's Co-CEOs and CFO also certify the appropriateness of the financial disclosures in the Company's interim filings with securities regulators. In those filings, the Company's Co-CEOs and CFO also certify the design of the Company's disclosure controls and procedures, and the design of internal controls over financial reporting.

Management's Report on Disclosure Controls and Procedures
Management, with the participation of the Company's Co-CEOs and CFO, assessed the effectiveness of the Company's disclosure controls and processes and concluded, as of December 31, 2011, that such disclosure controls and processes were effective to provide reasonable assurance that:

(i) material information relating to the Company was made known to its Disclosure Committee by others; and

(ii) information required to be disclosed by the Company in its annual filings, interim filings, and other reports filed or submitted by the Company under securities legislations was recorded, processed, summarized, and reported within the periods specified in securities legislation.

In addition, the evaluation covered the Company's processes, systems, and capabilities relating to regulatory filings, public disclosures, and the identification and communication of material information.

Management's Report on Internal Controls over Financial Reporting
Management, with the participation of the Company's Co-CEOs and CFO, assessed the design and effectiveness of the Company's internal controls over financial reporting. Based on that assessment, management and the Co-CEOs and CFO have concluded that, as of December 31, 2011, the Company's internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Changes in Internal Controls over Financial Reporting
There have been no changes to the Company's internal controls over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

BUSINESS RISKS AND UNCERTAINTIES
For a more detailed description of the risks facing our business, please refer to the heading "Risk Factors" in our Annual Information Form for the fiscal year ended December 31, 2011.

Competition and Consolidation in the Industry
The telecommunications equipment industry is intensely competitive. The majority of our competitors are larger, have more established operations, and have substantially greater financial, technical, personnel, marketing and other resources. We expect competition to persist, intensify and increase in the future. Such competition could materially adversely affect our business, operating results, financial condition or prospects.

Recent merger and acquisition activity in the industry has changed the marketplace. Some of our competitors have become larger in size, have increased their market share and, as a result, have more resources at their disposal to compete with us. In 2009, Avaya acquired the Enterprise Communications unit of Nortel. This acquisition increased the market share of this competitor especially in North America. This consolidation, and other consolidations in the industry by large well-capitalized companies, could put pressure on our operations, affect our operating margins and have a material adverse effect on our business. As our competitors grow larger, they may be able to produce at lower prices than we could, and develop new technologies before us. We could be forced to reduce our prices and operating margins, and incur higher Research and Development expenses to be able to continue to compete.

Volatile Economic Conditions
Over the past three years, the global economic and financial crisis has had an impact on businesses around the world including companies operating in the telecom industry. Even though we maintained profitability again during the 2011 fiscal year, there can be no assurance that a prolonged economic and financial crisis will not have an additional material adverse effect on our business, operating results, financial condition or prospects in the future. The state of the global economy causes us to continue to be somewhat cautious regarding revenue trends in the near term. There are new concerns about the risk of sovereign debt default in some countries in the Euro area (most notably Greece, but also Portugal, Spain, Italy and Ireland), from which contagion could spread. Aastra may be vulnerable given its high exposure to the European economies.

Product Development and Market Acceptance of New Products

We continue to invest in Research and Development as this is a strategic part of our business on which our success depends and these expenses account for a material portion of our sales. Our industry is characterized by ongoing technological changes, shifting customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render our technology and/or systems obsolete. There is no assurance that satisfactory revenue will be achieved from new technology and that investment in Research and Development will provide satisfactory economic returns in a timely manner. If our new technology and resulting products are not accepted by the marketplace, our business and operating results could be materially affected.

In addition, as the market for our products moves from proprietary digital technology to Internet Protocol ("IP") or other open source technologies, there is a possibility that our average selling prices and gross margin realized from these new products will be negatively affected.

Relationship with Strategic Sales Partners

The Company sells mainly through distributors and resellers. We rely on cooperation with our partners, and our success will depend partly on our ability to maintain our current channels of distribution and gain access to new channels. Our partners work with other companies that operate in our industry and they may give higher priority to the sale of products other than ours. We maintain good relationships with our sales partners, but their performance in such a competitive market is outside of our control. A reduction in partner cooperation or decline in sales of our products from our partners, could materially affect our revenue.

In the American Enterprise Communications market, we sell the majority of our Traditional Telephony products to a small number of Telcos and through a few distributors, and our Contact Center solutions to a large number of customers. In the European Enterprise Communications market, we sell to a few large incumbent Telcos as well as many other PBX Channel Partners. If any of our significant customers discontinue their relationship with us for any reason, our business, operating results, financial condition, or prospects may be materially adversely affected.

Relationship with Contract Manufacturing Partners

We currently outsource the manufacturing of our products to approximately twenty contract manufacturers located in North America, Brazil, France, Germany, Sweden, Hungary, Asia-Pacific and Australia. Although in some cases we have more than one supplier for our products, we do rely on single sources for a number of our products. We have taken measures to control the quality and on-time delivery of our products by these manufacturers, including contingency arrangements to secure the alternate supply of products. However, we are unable to control all aspects of their operations. If a contract manufacturer discontinued or restricted the supply of any product for any reason, with or without penalty, our business may be harmed by the resulting delays even with necessary contingency arrangements in place. Any disruption in supply could have a material adverse affect on our business and operating results.

We currently purchase several strategic components and license certain software used in the manufacturing and operation of our products from single or limited sources. We depend on the quality and reliability of the components supplied or licensed to us over which we have limited control. If a supplier discontinued or restricted supplying components or licensing software to us, with or without penalty, or if for any other reason we experienced a shortage of components and we were unable to redesign affected products with other components in a timely manner, our business and operating results could be significantly harmed due to the resultant delay in product manufacturing and delivery.

We use rolling forecasts based on anticipated product orders to determine our component requirements. Lead times for materials and components vary significantly and depend on factors such as specific supply requirements, contract terms and current market demand for particular components. If we underestimate our supply requirements, our inventory levels may not be at adequate levels, which could interrupt manufacturing and delay delivery of our products. If we overestimate our supply requirements, we may have an oversupply of inventory, which may be subject to write-downs in the event such inventory is not saleable. Any of these occurrences could have a material adverse effect on our business, operating results, financial condition or prospects.

Third Party Claims for Infringement

The industry in which we compete has many participants who own, or claim to own intellectual property. We cannot determine with certainty whether any existing third party patents or the issuance of any third party patents would require us to alter our technologies, obtain licenses or cease certain activities. From time to time, we have received, and may in the future receive, claims from third parties asserting infringement and other related claims or challenging our intellectual property rights. Regardless of whether claims that we are infringing patents or other intellectual property rights have any merit, those claims could be time-consuming to evaluate and defend, result in costly litigation, cause product shipment delays or stoppages, and subject us to significant liabilities.

In addition to possibly being liable for potentially substantial damages relating to a patent or other intellectual property infringement action, we may be prohibited from developing or commercializing certain technologies and products unless we obtain a license from the holder of the patent or other intellectual property rights. There can be no assurance that we will be able to obtain any such license on commercially favourable terms, or at all. If such a license is not obtained, we may be required to cease these related business operations, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are engaged in certain other claims and legal actions in the ordinary course of business and believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

Exchange Rate Fluctuations

We are subject to currency risk primarily as a result of acquisitions since we now have a global footprint. Exchange rate fluctuations affect our financial results as we report in Canadian Dollars and most of our revenues are derived in Euros, U.S. Dollars, Swiss Francs, Swedish Kronor, and British Pounds, with unfavourable changes negatively impacting our operating results. A significant portion of our receivables and payables are denominated in these foreign currencies. Our financial results are adversely impacted when the Canadian Dollar strengthens against other currencies. We expect that our exposure to revenues derived in currencies other than the Canadian Dollar will increase and subsequently expose us to further foreign exchange rate fluctuations that may adversely affect our financial results.

Fluctuations in Quarterly Financial Results

Our quarterly financial results could be impacted significantly by many factors, including the level of demand for our products and services, including seasonality and the timing of new releases of our products, the timing of a few large sales, our ability to maintain and grow a significant customer base, the fixed nature of a significant portion of our operating expenses, and changes in our pricing policies or those of our competitors. Aastra generally receives purchase orders from its customers between one and three weeks prior to the required shipment dates and, as a result, cannot reliably predict long-term future sales volumes. If expected revenues are not realized as anticipated, our quarterly financial results could be materially adversely affected. Accordingly, there may be significant variations in our quarterly financial results, and these results may not meet the expectations of analysts or investors.

We believe quarter-to-quarter comparisons of our results of operations are not necessarily meaningful. You should not rely on the results of one quarter as an indication of our future performance.

Declaration of Dividends

In 2009, Aastra declared its first quarterly dividend. Shareholders of Aastra are reminded that they are only entitled to receive dividends if and when such dividends have been declared by Aastra's Board of Directors and there is no entitlement to any dividends prior to any such declaration. The material factors that will be considered by Aastra's Board of Directors in determining whether it is appropriate to declare any future dividends, and the amount of any such dividends, include: our earnings, cash flow, quarterly fluctuations in financial results and financing requirements to fund any acquisitions or other business opportunities. The material assumptions that will be considered by Aastra's Board of Directors regarding any future declaration of dividends include: that global economic and financial conditions will remain positive and not deteriorate any further in general and, specifically, in the geographic segments of the Enterprise Communications market in which the Company competes, and that the Company will be able to sustain levels of revenue, profitability and cash flow consistent with the results generated in fiscal 2011.

International Business Operations and International Taxation

Our intention is to continue to increase our foreign operations and enter new markets. We anticipate that international sales will continue to account for a significant portion of our consolidated revenue. Operating in several markets in the world is subject to risks, unpredicted costs, difficulties in administration, compliance with foreign laws, and other known and unknown risks relating to our international exposure such as business culture, demand for our products, supply and distribution, political and economic instability in different countries. In addition, international expansion is more difficult, costly, time consuming, and may put pressure on our management. If international operations do not produce enough revenue to cover operating costs, there will be a negative impact on our consolidated revenue.

Given the countries where the Company operates, there can be no assurance that Aastra would be able to implement future restructurings on favourable terms, in the event that prevailing economic and market conditions would require Aastra to further restructure this business.

Because of our international operations, we may have exposure to greater than anticipated tax liabilities. We are subject to taxation in several jurisdictions and our earnings may be subject to taxation by more than one jurisdiction which may negatively impact our earnings. The determination of our provision of tax liabilities requires significant judgment and may require significant cost related to advice from international tax advisers, audit expenses and other cost. Although we believe that our tax structure is such that it will not materially harm our earnings, we may face unexpected tax liabilities in various jurisdictions.

Product Returns and Product Defects

Consistent with industry practice, we allow our customers to return products for warranty repair, replacement or credit. We provide for the return of a certain percentage of our products sold and historically our estimate for the allowance has matched actual return rates. Therefore, we believe the Company has taken adequate accounting allowances. However, there is no assurance that such product returns will not exceed such allowances in the future, which potentially could have a material adverse effect on our business, operating results, financial condition or prospects. If any of our products prove defective, we may be required to refund the price or replace those specific products, or all such products previously distributed. Replacement or recall of our products may cause us to incur significant expenses, disrupt sales and adversely affect our reputation, any one or a combination of which could have a material adverse effect on our business, operating results, financial condition or prospects.

Product, Geographic and Customer Concentration and Limited Range of Products

Our revenues are highly concentrated by product line and geographic market. Our European Enterprise Communications business accounted for approximately 80.9% of our total consolidated revenue in fiscal 2011 and 78.3% of our total consolidated revenue in fiscal 2010. A dominant portion of our revenue will continue to be generated in Europe in future years and we will continue to be vulnerable to macroeconomic factors that particularly affect Western Europe.

Substantially all of our revenue in fiscal 2011 was derived from one product category, being the sale of our PBX products and related accessories. We expect that the PBX product line and related accessories will continue to account for a substantial portion of our revenue in the near term. Our concentration in the PBX product category makes us vulnerable to the introduction of new technologies or product lines, or changes in consumer demands. Moreover, a reduction or loss of demand for this product line could have a material adverse effect on our business, operating results, financial condition or prospects.

Aastra has historically been dependent on certain large customers, however this dependence has been declining in recent years. Aastra's top three customers accounted for approximately 13% of sales in 2011 and 11% in 2010. If any significant customer were to discontinue their relationship with Aastra for any reason, the operating results and financial condition of Aastra may be materially adversely affected.

Financing Requirements and Issuances of Share Capital
We believe that we have sufficient cash reserves to fund our current operations. We may require additional financing to fund any future acquisitions in order to expand our operations or address any operational matters currently. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business performance. There can be no assurance that we will be successful in our efforts to arrange additional financing on satisfactory terms. If additional financing is raised by the issuance of shares from our treasury, control of our Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to take advantage of acquisition opportunities, develop new products, respond to competitive pressures or achieve our business objectives. In addition, we may pursue mergers, acquisitions or other business transactions pursuant to which we issue shares from treasury as consideration in the transaction. Issuing shares as consideration for a transaction of this type may also result in a change of control of our Company and/or additional dilution.

Technical Standards and Certification of Products
Our products must be approved by various regulatory agencies before they can be sold in commercial quantities in their respective jurisdictions. These regulatory agencies require that communication access devices meet various standards, including safety standards with respect to human exposure to electromagnetic radiation and basic signal leakage.

Our European Enterprise Communications business is subject to European regulations requiring the reduction of certain hazardous substances ("ROHS"). Although we are currently complying with such ROHS regulations, these regulations may change in the future: they may become more complex, and compliance with them will require additional resources and management's attention. Failure to maintain regulatory approvals for our current products or a failure to obtain required regulatory approvals for any new products on a timely basis could have a material adverse effect on our business, operating results, financial condition or prospects.

Attract and Retain Top Employees
Our success is dependent on our continuing ability to identify, hire, retain and motivate highly qualified management, engineering, sales, marketing and finance personnel. We do not have fixed-term employment agreements with our key personnel and the loss of any key personnel may harm our ability to compete effectively. Competition for highly qualified individuals is intense and we may not be able to attract, hire or retain such personnel in the future. In our effort to attract and retain key personnel, we may experience increased cost which could materially affect our earnings.

Security
Despite our implementation of network security measures, we are potentially vulnerable to computer break-ins and similar disruptive problems. Computer viruses, break-ins or other security problems could lead to the misappropriation of proprietary information and interruptions, delays or cessation in service to our customers. Our operations are in part dependent on our ability to maintain our computer and telecommunications equipment in an effective working order and to protect our systems against damage from fire, natural disaster, power loss, telecommunications failure or similar events. While we continually review and seek to upgrade our technical infrastructure, any damage, failure or delay that causes interruptions in our operations could have a material adverse effect on our business, operating results, financial condition or prospects.

Future Acquisitions
As part of our business strategy, we have expanded our operations, and intend to continue our expansion by acquiring businesses, products, and technologies in the telecommunications sector, and establishing joint ventures we believe will complement our current or future business. We may not effectively select acquisition candidates or successfully negotiate, finance or integrate such acquisitions into our operations. We cannot assure that any pursued acquisition, will be completed on favourable terms, or that any acquisitions completed will ultimately benefit our business.

Possible Volatility of Share Price

Announcements of quarterly variations in operating results, technological innovations or new acquisitions, investments or other developments, or events involving us or our competitors, as well as market conditions of the telecommunications industry, may have a significant impact on the market price of our Common Shares.

Proprietary Protection

Our success will depend, in part, on our ability to maintain our patents and trade secret protection. We enter into confidentiality and non-disclosure agreements with our key employees and consultants, and control access to and distribution of our proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our proprietary information without authorization. When applicable, we also seek patent protection for our inventions. However, effective patent, copyright and trade secret protection may be unavailable, limited or unenforceable in certain jurisdictions. There can be no assurance that the steps taken by us will prevent misappropriation of our proprietary technology. In addition, litigation may be necessary in the future to protect our patents and trade secrets. Such litigation could result in substantial costs and diversion of resources, and could have a material adverse effect on our business, operating results, financial condition or prospects.

CRITICAL ACCOUNTING ESTIMATES

Management estimates are used when accounting for items and matters such as valuation of long-term investment, allowances for uncollectible trade receivables, inventory obsolescence, warranty provision, valuation of non-financial assets, valuation of deferred tax assets and utilization of tax losses, valuation of pension plan assets and defined benefit obligations, share-based compensation, and lease classification. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in estimates in future periods could be significant. Senior management has discussed with our Audit Committee the development, selection, and disclosure of accounting estimates used in the preparation of our consolidated financial statements. The critical accounting policies, discussed below, affect our more significant estimates and assumptions used in preparing our consolidated financial statements.

Aastra records an allowance for doubtful accounts for estimated credit losses based on customer and industry concentrations, and the Company's knowledge of the financial condition of its customers. A change to these factors could impact the estimated allowance. Aastra values its inventory on a first-in, first-out basis at the lower of cost (determined on a weighted average cost basis) and net realizable value for production parts, work-in-progress and finished goods. Aastra will write down inventory when management considers inventory to be excess or obsolete based upon assumptions about future demand and market conditions. A change to these assumptions could impact the valuation of inventory. Aastra also provides for the estimated cost of product warranties based on certain assumptions relating to the quality of newly acquired product lines and historical product quality trends. A change to these factors could impact the estimated warranty accrual.

During 2011, the market for MAV II notes gradually transitioned from inactive and illiquid to partly active and increasingly liquid. As a result, the Company calculated the fair value on a blended basis between current market price and the fair value from a discounted cash flow valuation technique to determine the value of its investment. The inputs to the valuation technique required the Company to use estimates such as the term of investment, the timing of payment of interest and principal, the interest rate and discount rate, and the split of senior versus junior notes. These estimates are subject to measurement uncertainty and any changes from estimates could have a material effect on future periods.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Aastra tested for impairment at the CGU level by comparing the CGU's carrying value with its fair value. In determining a reporting unit's fair value, management made assumptions regarding future revenues, future cash flows, and discount rates. Future goodwill impairment tests may result in material impairment charges. Long-lived assets, including property and equipment, and intangible assets with finite useful lives, are amortized over their useful lives. Aastra periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness, or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, using assumptions relating to the future cash flows of the asset. Future long-lived asset impairment tests may result in material impairment charges.

The Company determines its income tax expense or recovery based on the net income earned or net loss incurred in various tax jurisdictions. In the ordinary course of business, there are many transactions and calculations where the ultimate tax outcome is uncertain and is subject to tax authority review. The final outcome of these matters may be different than the estimates originally made by management in determining the income tax provisions, and changes in these estimates could impact the income tax provision in future periods.

Aastra has pension obligations and expenses which are determined from actuarial valuations. Actuarial valuations require management to make certain judgments and estimates relating to expected rate of return earned on plan assets, discount rates, salary escalation, compensation levels at the time of retirement, and retirement ages. Management will continue to evaluate our expected long-term rates of return on plan assets and discount rates at least annually and make adjustments as necessary, which could change the pension obligations and expenses in the future. There is no assurance that the pension plan assets will be able to earn the expected rate of return. Shortfalls in the expected rate of return on plan assets would increase future funding requirements and expense.

Due to the nature of the Company's operations, contingencies may arise, the outcome of which is uncertain. Management assesses whether the outcome can be determined or is likely or unlikely based on the information available. The contingent outcomes are reassessed on a regular basis until the final outcome is known. When a contingent loss can be determined, and it is more likely than not that there will be an outflow of resources embodying economic benefits, management recognizes a contingent liability in the amount of its best estimate. Changes in the estimate could impact the Company's results in future periods.

CURRENT OUTLOOK

We continue to manage our business to allow for the flexibility to react to the challenging market conditions. While we watch for signs that the Enterprise Communications market is starting to improve, there is an increasing concern with the recent sovereign debt issues across Europe and the potential for these issues to create another global economic crisis. Although we have not seen a material impact in our business to date, further instability in Europe could have an additional negative impact on the demand for our products and services in this region which could also further impact our other geographic markets. In addition, unemployment figures continue to remain high in most of our markets including Europe and the United States. Management will continue to monitor the Company's operating model in order to ensure that its cost base remains in line with the expected future demand for our products and services.

We will continue to invest in new product development, responding to the needs of our customers and trends in the market. As our market has evolved from proprietary digital technology to internet protocol (IP) networks, we have strategically invested, in order to embrace open standards, mobility, virtualization and collaboration through new products and partnerships. As part of these efforts, we will be launching additional products relating to our BluStar videophone solution throughout 2012. We believe the desktop video product category will facilitate growth for the Company going forward as part of a converged, unified enterprise communication experience.

Looking ahead, we believe that the Company is well-positioned to deal with the current challenges in our industry and the general state of the global economy. We continue to be financially stable, with a strong balance sheet and a disciplined cost structure. As discussed earlier, the Company ended December 31, 2011 with a cash, cash equivalents and short term investments balance of $134.1 million (see section titled "Liquidity and Capital Resources" above). This balance, combined with long term stable cash flow from operations and funds available from existing credit facilities, should ensure that the Company has the ability to support ongoing operations and to selectively consider additional investments or strategic initiatives in the year ahead.

SUBSEQUENT EVENT

On February 15, 2012, the Board of Directors declared a cash dividend of $0.20 per share on its common shares, payable on March 22, 2012, to all shareholders of record at the close of business on March 1, 2012.

On February 22, 2012, the Company's Board of Directors approved the repurchase of up to $50 million of its common shares for subsequent cancellation. Shareholders wishing to tender to the proposed bid may do so by electing one of two options: (i) tendering into the Dutch auction process or (ii) electing a proportionate tender. If a shareholder elects a proportionate tender, they will not be permitted to participate in the Dutch auction process. The Dutch auction tender process will allow shareholders to tender a certain number of shares within the specified price range of $21.00 to $23.00 per share. Alternatively, shareholders may make a proportionate tender that will allow them to maintain their current proportionate share ownership in the Company following the completion of the bid wherein the price per common share and the number of common shares will be based upon the results of the Dutch auction process.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board announced the adoption of IFRS for publicly accountable enterprises in Canada effective January 1, 2011. These are the Company's first IFRS annual financial statements. The significant accounting policies adopted under IFRS are included in note 3 to the consolidated financial statements for the year ended December 31, 2011. The reconciliations and descriptions of the effect of transitioning from GAAP to IFRS are included in note 33 to the consolidated financial statements for the year ended December 31, 2011. In accordance with the transition rules, we have retroactively applied IFRS to our comparative data.

We have restated our comparative data throughout this document to reflect the adoption of IFRS, with effect from January 1, 2010 (Transition Date). For the year ended December 31, 2010, our profit was $25.4 million under IFRS, $1.4 million higher than under Canadian GAAP. The most significant Canadian GAAP to IFRS adjustments to our statement of profit for the year 2010 related to the recalculation of the share-based payments expense and the employee benefits expense. The most significant adjustment to the consolidated statement of financial position related to the accounting for actuarial gains and losses arising from employee benefit plans. On transition, IFRS allows the recognition of cumulative actuarial gains and losses, previously unrecognized under GAAP, through equity. This resulted in an increase to pension liability of $5.8 million at the transition date.

RECENT ACCOUNTING DEVELOPMENTS

The following is a summary of recent accounting pronouncements that may affect the Company. The Company is assessing how it will be affected by these pronouncements.

Financial Instruments

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard requires entities to classify financial assets as being measured either at amortized cost or fair value depending on the business model and contractual cash flow characteristics of the asset. For financial liabilities, IFRS 9 requires an entity choosing to measure a liability at fair value to present the portion of the change in its fair value due to change in the entity's own credit risk in the other comprehensive income rather than in the statement of profit or loss. The new standard applies to annual periods beginning on or after January 1, 2015.

Disclosures – Transfers of Financial Assets

IFRS 7, Disclosures – Transfers of Financial Assets, is amended to require disclosure of information that allows users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities, and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. The amendments are effective for annual periods beginning on or after January 1, 2012.

Presentation of Items of Other Comprehensive Income ("OCI")
IAS 1, Presentation of Financial Statements, is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is effective for years beginning on or after July 1, 2012.

Employee Benefits
IAS 19, Employee Benefits, is revised to eliminate the option to defer the recognition of actuarial gains and losses, enhance the guidance around measurement of plan assets and defined benefit obligations, streamline the presentation of changes in assets and liabilities arising from defined benefit plans and enhance disclosure requirements for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

Fair Value Measurement
IFRS 13, Fair Value Measurements, provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. The new standard is effective for years beginning on or after January 1, 2013.

New Standards Addressing the Scope of a Reporting Entity
Consolidated financial statements
IFRS 10, Consolidated Financial Statements, replaces SIC 12, Consolidation – Special Purpose Entities, and the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements. IFRS 10 includes a new definition of control that determines which entities are consolidated, and requires control of an investee to be reassessed when the facts and circumstances indicate that there have been changes to one or more of the criteria for determining control. This standard is effective for annual periods beginning on or after January 1, 2013.

Additional information relating to our Company, including our Company's Annual Information Form can be found at the website maintained by the Canadian Securities Administrators at www.sedar.com.

CONSOLIDATED FINANCIAL STATEMENTS OF AASTRA TECHNOLOGIES LIMITED YEARS ENDED DECEMBER 31, 2011 AND 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and all other information included in this annual report have been prepared by and are the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based on information currently available. All other financial information in the report is consistent with that contained in the financial statements. The Company maintains appropriate systems of internal control, policies and procedures that provide management with reasonable assurance that assets are safeguarded and that its financial information is reliable.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual report principally through its Audit Committee. This committee meets with management and the Company's independent auditors to review the Company's reported financial performance and to discuss audit, internal control, accounting policy, and financial reporting matters. The consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Francis N. Shen Chairman of the Board	Allan J. Brett Chief Financial Officer	Toronto, Canada February 24, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Aastra Technologies Limited

We have audited the accompanying consolidated financial statements of Aastra Technologies Limited (the "Entity") which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of profit, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2011 and 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aastra Technologies Limited as at December 31, 2011, December 31, 2010 and January 1, 2010 and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
February 24, 2012

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current assets:			
Cash and cash equivalents (note 4)	$ 129,933	$ 90,704	$ 113,596
Short-term investments (note 5(a))	4,202	4,153	3,309
Trade and other receivables (note 6)	167,142	183,977	175,082
Current tax assets	7,348	5,225	5,986
Inventories (note 7)	80,963	115,374	81,398
Finance lease receivables (note 8)	21,336	17,426	11,831
Acquired lease receivables	462	714	1,544
Prepaid expenses and other assets	7,234	7,279	7,088
	418,620	424,852	399,834
Long-term investment (note 5(b))	5,406	5,251	4,525
Deferred tax assets (note 9)	15,810	14,015	13,230
Finance lease receivables (note 8)	23,469	24,324	28,597
Acquired lease receivables	138	607	1,597
Property, plant and equipment (note 10)	30,953	37,510	41,918
Goodwill (note 11(a))	46,323	46,321	46,391
Intangible assets (note 11(c))	26,290	38,489	53,965
Other assets	516	625	611
	$ 567,525	$ 591,994	$ 590,668
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables (note 12)	$ 116,165	$ 143,043	$ 122,745
Current tax liabilities	30,394	29,467	33,294
Deferred income	36,222	33,524	31,741
Current portion of loans payable (note 13)	512	15,740	16,490
Current portion of provisions (note 14)	12,494	14,065	16,447
	195,787	235,839	220,717
Pensions (note 28)	37,566	24,305	31,332
Loans payable (note 13)	138	658	16,561
Provisions (note 14)	2,965	2,970	3,512
Deferred tax liabilities (note 9)	7,851	10,493	13,735
Other liabilities	995	1,154	1,481
	245,302	275,419	287,338
Equity:			
Share capital	94,917	94,653	90,488
Contributed surplus	10,247	8,892	8,030
Translation reserves	(6,159)	(8,511)	–
Retained earnings	223,218	221,541	204,812
	322,223	316,575	303,330
	$ 567,525	$ 591,994	$ 590,668

Commitments, contingencies and guarantees (note 31)
Subsequent events (note 32)
See accompanying notes to consolidated financial statements.

On behalf of the Board:

Francis N. Shen
Director

Anthony P. Shen
Director

Consolidated Statements of Profit

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

Years ended December 31, 2011 and 2010

	2011	2010
Revenue (note 20)	$ 692,994	$ 716,936
Cost of sales	399,786	405,926
	293,208	311,010
Expenses (income):		
Selling, general and administrative	178,476	184,806
Research and development	63,160	69,208
Depreciation and amortization	20,328	21,941
Foreign exchange loss	3,521	9,999
Other income (note 22)	–	(2,682)
Results from operating activities	27,723	27,738
Finance income (note 24)	(3,600)	(3,750)
Finance expense (note 25)	344	589
Profit before income taxes	30,979	30,899
Income taxes (note 26)	4,807	5,511
Profit	$ 26,172	$ 25,388
Earnings per share (note 18):		
Basic	$ 1.86	$ 1.81
Diluted	$ 1.85	$ 1.80

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(In thousands of Canadian dollars)
Years ended December 31, 2011 and 2010

	2011	2010
Profit	$ 26,172	$ 25,388
Other comprehensive income (loss):		
Exchange differences on translating foreign operations	2,352	(8,511)
Defined benefit plan actuarial gains (losses) (note 28)	(14,583)	2,923
Income tax relating to components of other comprehensive income	2,079	(385)
Other comprehensive loss, net of income tax	(10,152)	(5,973)
Total comprehensive income	$ 16,020	$ 19,415

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(In thousands of Canadian dollars, except share amounts)
Years ended December 31, 2011 and 2010

	Common Shares	Share Capital	Contributed Surplus	Translation Reserves	Retained Earnings	Total
Balance, January 1, 2010	13,852,335	$ 90,488	$ 8,030	$ –	$ 204,812	$ 303,330
Comprehensive income (loss):						
Profit	–	–	–	–	25,388	25,388
Other comprehensive income (loss)	–	–	–	(8,511)	2,538	(5,973)
Total comprehensive income (loss)	–	–	–	(8,511)	27,926	19,415
Transactions with owners of the Company:						
Dividends	–	–	–	–	(11,197)	(11,197)
Shares issued on exercise of options	202,050	3,273	–	–	–	3,273
Share-based compensation (note 19)	–	–	1,754	–	–	1,754
Transfer from contributed surplus to share capital	–	892	(892)	–	–	–
Total transactions with owners of the Company	202,050	4,165	862	–	(11,197)	(6,170)
Balance, December 31, 2010	14,054,385	$ 94,653	$ 8,892	$ (8,511)	$ 221,541	$ 316,575
Comprehensive income (loss):						
Profit	–	–	–	–	26,172	26,172
Other comprehensive income (loss)	–	–	–	2,352	(12,504)	(10,152)
Total comprehensive income	–	–	–	2,352	13,668	16,020
Transactions with owners of the Company:						
Dividends	–	–	–	–	(11,258)	(11,258)
Shares issued on exercise of options	70,000	851	–	–	–	851
Share-based compensation (note 19)	–	–	1,394	–	–	1,394
Shares repurchased for cancellation (note 17(b))	(92,900)	(626)	–	–	(733)	(1,359)
Transfer from contributed surplus to share capital	–	39	(39)	–	–	–
Total transactions with owners of the Company	(22,900)	264	1,355	–	(11,991)	(10,372)
Balance, December 31, 2011	14,031,485	$ 94,917	$ 10,247	$ (6,159)	$ 223,218	$ 322,223

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2011 and 2010

	2011	2010
Cash and cash equivalents provided by (used in):		
Operating activities:		
Profit	$ 26,172	$ 25,388
Depreciation of property, plant and equipment (note 10)	11,402	11,686
Amortization of intangible assets (note 11(c))	13,400	14,546
Share-based compensation expense (note 19)	1,394	1,754
Loss on sale of property, plant and equipment	1,130	726
Other income (note 22)	–	(2,682)
Finance income (note 24)	(3,600)	(3,750)
Finance expense (note 25)	344	589
Income tax expense (note 26)	4,807	5,511
Change in non-cash pension liabilities	(766)	169
Change in non-cash operating working capital (note 27)	22,569	(39,601)
Income taxes paid	(6,471)	(8,282)
	70,381	6,054
Investing activities:		
Maturity of short-term investments	4,092	3,199
Purchase of short-term investments	(4,092)	(4,044)
Interest received	3,523	2,866
Proceeds from disposals of property, plant and equipment	11	43
Purchase of property, plant and equipment	(5,102)	(11,193)
Purchase of intangible assets	(821)	(1,413)
Disposition, net of cash received (note 22)	–	3,649
	(2,389)	(6,893)
Financing activities:		
Dividends paid to shareholders	(11,258)	(11,197)
Proceeds from exercise of share options	851	3,273
Repurchase of shares (note 17(b))	(1,359)	–
Receipt of acquired lease receivables	740	1,505
Payment of acquired loan payable	(740)	(1,505)
Increase in loans payable	300	–
Repayment of loans payable	(15,894)	(14,948)
Finance costs paid	(314)	(528)
	(27,674)	(23,400)
Foreign exchange on cash held in foreign currency	(1,089)	1,347
Increase (decrease) in cash and cash equivalents	39,229	(22,892)
Cash and cash equivalents, beginning of year	90,704	113,596
Cash and cash equivalents, end of year	$ 129,933	$ 90,704

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Canadian dollars, except share and per share amounts and as otherwise noted)
Years ended December 31, 2011 and 2010

1. NATURE OF OPERATIONS

Aastra Technologies Limited (the "Company") is incorporated under the Canada Business Corporations Act with common shares listed on the Toronto Stock Exchange. The address of the Company's registered office is 155 Snow Boulevard, Concord, Ontario, Canada L4K 4N9. The consolidated financial statements of the Company as at and for the year ended December 31, 2011 include the accounts of the Company and its wholly owned subsidiaries. The Company's principal business activities include the development and marketing of products and systems for accessing communication networks, including the Internet.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These are the Company's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied.

Previously, the Company prepared its consolidated annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRS has affected the reported financial position, results of operations and cash flows of the Company is provided in note 33.

These consolidated financial statements were authorized for issue by the Board of Directors on February 24, 2012.

(b) Basis of Measurement

These consolidated financial statements have been prepared on the measurement bases outlined in the significant accounting policies below.

(c) Functional and Presentation Currency

These consolidated 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 thousand, unless otherwise indicated.

(d) Use of Estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. The 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.

By their nature, key areas of estimation are subject to measurement uncertainty and the effect on the financial statements of changes in estimates in future periods could be significant. Those key areas, where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include the following:

(i) Inventory Obsolescence

The calculation of inventory obsolescence includes key estimates such as the future demand for the products, the length of the lives of the products, and net realizable value when lower than cost.

(ii) Valuation of Long-Term Investment

Key assumptions in the valuation of the long-term investment include the recoverability of the restructured notes, the term of the investment, likelihood that interest will be paid, the coupon rate of interest and the discount rate.

(iii) Allowances for Uncollectible Trade Receivables
The valuation of allowances for uncollectible trade receivables requires assumptions including estimated credit losses based on customer and industry concentrations and the Company's knowledge of the financial conditions of its customers.

(iv) Lease Classification
Judgments are made in determining whether the conditions of lease contracts indicate that substantially all of the risks and rewards incidental to ownership have been transferred to the customer. Management identifies the conditions indicating the ownership of the equipment at the end of the term, the option for the customer to purchase the equipment at the end of the term, the term of the lease versus the economic life of the equipment, and the present value of the minimum lease payments versus the fair value of the equipment among other conditions. When the risks and rewards of ownership are transferred, the transaction is accounted for as a finance lease and if not, the transaction is accounted for as an operating lease.

(v) Warranty Provision
The warranty provision is calculated using estimates such as the percentage of returns of products by our customers and historical product quality trends.

(vi) Valuation of Non-Financial Assets
The valuation of other non-financial assets such as goodwill, intangible assets and property, plant and equipment requires estimates relating to the future cash flows and the useful lives of the assets.

(vii) Valuation of Deferred Tax Assets and Utilization of Tax Losses
The key estimate used in the valuation of deferred tax assets is the probability that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent on the generation of future taxable income during the years in which the temporary differences are deductible.

(viii) Valuation of Pension Plan Assets and Defined Benefit Obligations
Two of the employee benefit plans in which the Company participates are funded. In order to value pension assets, estimates are made such as the rate of return on equity securities, debt securities and real estate. The Company engages actuaries to calculate the defined benefit obligations of certain employee benefits. Management provides the actuaries with estimated inputs to the valuation including the discount rate, the expected rate of return, salary escalation, compensation levels at the time of retirement, retirement ages, and mortality rates.

(ix) Share-Based Compensation
In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statements of financial position at January 1, 2010 for the purposes of the transition to IFRSs, except as explained in note 33.

(a) Basis of Consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary, to align them with the policies adopted by the Company.

(ii) Transactions Eliminated on Consolidation
Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(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 date. The income and expenses of foreign operations are translated to Canadian dollars at the average exchange rates for the period.

Foreign currency differences are recognized and presented in other comprehensive income and in translation reserves in equity.

When a foreign operation is partially or fully disposed, the proportionate share of the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss as part of the profit or loss on disposal.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income, and presented in the translation reserve in equity.

(c) Financial Instruments

(i) Non-Derivative Financial Assets

Loans and receivables are recognized on the date of origination. All other financial assets are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial Assets at Fair Value Through Profit or Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

Financial assets at fair value through profit or loss comprise cash and cash equivalents, short-term investments and long-term investments. Short-term investments include highly liquid instruments such as commercial paper, bonds, and publicly traded stock. Commercial paper and bonds, classified as short-term investments have a maturity date of more than three months from the acquisition date.

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.

Loans and receivables comprise trade and other receivables, finance lease receivables and acquired lease receivables. Trade receivables are amounts due from customers for the rendering of services or sale of goods in the ordinary course of business. Equipment leased under terms which transfer substantially all of the risks and rewards of ownership to customers are accounted for as finance lease receivables.

The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within selling, general and administrative expenses in the consolidated statement of profit.

(ii) Non-Derivative Financial Liabilities

Financial liabilities are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expired.

The Company has the following non-derivative financial liabilities: trade and other payables and loans payable.

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

(iii) Share Capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized 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, is recognized as a deduction from equity.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash balances and highly liquid investments such as bankers' acceptances, term deposits and treasury bills with original maturity dates of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(e) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on a weighted average cost basis, and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. In determining net realizable value, the Company considers the aging and future demand for the inventory.

(f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Company as a Lessor

Amounts due from lessees under finance leases are recorded as finance lease receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment in the lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

(ii) The Company as a Lessee

Leases are classified as operating leases and are not recognized in the Company's statement of financial position. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss in the period in which they are incurred.

Any gain and loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized within selling, general and administrative expense in the consolidated statement of profit.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or revalued amount, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

Tooling	5 years
Equipment	3 – 10 years
Furniture	5 – 9 years
Vehicles	4 – 5 years
Buildings	17 – 25 years
Leasehold improvements	Shorter of estimated useful life and lease term

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) Goodwill and Intangible Assets

(i) Goodwill

Goodwill is measured at cost less accumulated impairment losses and is not amortized.

(ii) Intangible Assets

Upon acquisition, intangible assets with finite useful lives are recorded at fair value and are carried at cost less accumulated amortization and impairment losses.

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Patents	7 years
Customer relationships	7 years
Trade name license	5 years
Non-compete agreement	3 years
Computer software	2 – 3 years

(iii) Internally Generated Intangible Assets

Development expenditures can be capitalized only where a development project meets certain conditions, including technical feasibility of the intangible asset, intention to complete the project, ability to sell the intangible asset, probability that the intangible asset can produce future economic benefits, availability of resources to complete the project, and ability to reliably measure the expenditure attributable to the intangible asset.

Development projects are reviewed as they arise and on an on-going basis to assess whether all conditions have been met. As of December 31, 2011 and 2010 and January 1, 2010, no development projects met all of the conditions and no internally generated intangible assets have been recognized.

(i) Impairment

(i) 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 that asset that can be estimated reliably.

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. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(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 estimated. Goodwill is tested annually for impairment, unless indicators of impairment exist that require more frequent testing.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the group of cash-generating units that is expected to benefit from the synergies of the combination. The level at which goodwill is allocated is based on the level at which goodwill is monitored by management and is not higher than an operating segment. 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 fair value less costs to sell, the estimated future cash flows, based on assumptions consistent with those that a market participant would make, 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 or group of assets. In assessing value in use, the estimated future cash flows expected to be derived from the cash generating unit, both from its continuous use and ultimate disposal, 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 or group of assets.

The Company's corporate assets do not generate separate cash inflows. Corporate assets are eliminated on a reasonable and consistent basis.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and 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 in previous years.

(j) 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 probable 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 cost.

(i) Warranties

A provision for warranties is recognized when the products are sold to a third party. The amount of the provisions for product warranties reflects management's expected future costs of fulfilling the obligations. The provision is based primarily on historical warranty claim experience.

(ii) Other

Site Restoration

The Company is required to restore various rental premises to their original state. The provisions are based on the best estimate of the amount required to settle the obligation. Each provision is discounted to present value by applying a risk-adjusted rate specifically applicable to the liability. This estimate is revised on an annual basis and adjusted where appropriate against the asset to which it relates.

Onerous Contracts

Onerous contracts are those where the unavoidable costs of meeting the obligations under the contract exceed the benefits to be derived. The Company identifies those contracts that are onerous and provides for the costs until the end of each contract, discounting those amounts that are due to be paid more than twelve months from the end of the period.

Legal Claims

In the normal course of operations, the Company may be subject to litigation claims from customers, suppliers, patent holders and former employees. A provision is recognized when the probability that the event will occur is greater than the probability that it will not. The Company regularly reviews outstanding claims to see if they meet the criteria. A provision is calculated based on management's best estimate of a probable outflow of economic resources.

Waste Electrical and Electronic Equipment Directive ("WEEE Directive")

Under the WEEE directive, put in place by the European Community in February 2003, manufacturers of electronic equipment are responsible for the ultimate disposal of the equipment. The Company assesses the equipment sold during the year and estimates the cost per unit to recycle. Estimates in the provision include the year in which the equipment might be recycled and inputs to the present value calculation. The provision is updated quarterly with actual collection values and new sales.

(k) Revenue

(i) Product Sales

Revenue from the sale of hardware and software products is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized at the time that title has passed to the customer, the price is determinable, and collection of the sales price is reasonably assured. Title passes to the customer at the date of shipment or at the date of receipt by the customer, depending on the shipping terms, or after the customer accepts that the hardware has been correctly installed and is usable. The Company has no further performance obligations other than those under its standard manufacturing warranty.

(ii) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(iii) Finance Leases

Finance leases are those where substantially all of the benefits and risks of ownership of the equipment are transferred to the customer. Sales revenue recognized at the inception of the lease represents the present value of the minimum lease payments, net of any executory costs and related profit included therein, computed at the interest rate implicit in the lease. Unearned finance income, effectively the difference between the total minimum lease payments adjusted for executory costs and the aggregate present value, is deferred and recognized in earnings over the lease term to produce a constant rate of return on the investment in the lease. The cost or carrying value of the equipment being leased is recognized at the inception of the lease reduced by the present value of the unguaranteed residual value accruing to the lessor.

(iv) Rental Income

Rental income from operating leases of communication equipment is recognized in profit or loss on a straight-line basis over the term of the lease.

(v) Multiple Deliverables

For revenue arrangements with multiple deliverables, revenue is allocated to each separable element of the contract using the estimated selling prices of deliverables. When the arrangement requires significant customization, installation services considered essential to the functionality of the related hardware are not separated from the hardware, and revenue related to these combined units is recognized under the percentage-of-completion method, using cost of services as a measure of progress to completion.

(l) Employee benefits

(i) Defined Contribution Plans

The Company has defined contribution plans providing pensions for its employees in Italy. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined Benefit Plans

The Company operates defined benefit pension plans for current and former employees of its subsidiaries in North America and in several European countries. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unvested past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and reports them in retained earnings.

The Company does not provide any non-pension post-retirement benefits.

(iii) Termination Benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iv) Short-term Employee 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 the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(v) Share-Based Compensation

The Company applies a fair value method of accounting to all share-based compensation granted to employees. The estimated fair value of the stock options granted is determined using the Black-Scholes option pricing model and is amortized to income on a straight-line basis over the period in which the related services are rendered, which is usually the vesting period, or as applicable, over the period to the date an employee is eligible to retire, whichever is shorter.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in profit or loss.

(m) Investment Tax Credits

The Company is entitled to federal and provincial investment tax credits in Canada and France, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits are accounted for as a reduction in the related expenditure for items of a current nature and a reduction in the related asset cost for items of a long-term nature, provided that the Company has reasonable assurance that the tax credits will be realized.

(n) Finance Income and Finance Expenses

Finance income comprises interest income on funds invested, finance income from leases, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings and unwinding of the discount on provisions. 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.

Gains and losses on the sale of short-term investments are reported on a net basis.

(o) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or to items recognized directly in equity or in other comprehensive income. In this case, the tax is also recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date in the countries in which the Company operates, 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: 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, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for 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.

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.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining income tax provisions. Management periodically evaluates the positions taken in the Company's tax returns with respect to situations in which applicable tax rules are subject to interpretation. A provision is established related to tax uncertainties where appropriate based on management's best estimate of the amount that will ultimately be paid to or received from tax authorities. Accrued interest and penalties relating to tax uncertainties are recognized in current income tax expense.

(p) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing net income attributable to equity holders of the Company by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential common shares.

(q) Recent Accounting Pronouncements

The following is a summary of recent accounting pronouncements that may affect the Company. The Company is assessing how it will be affected by these pronouncements.

(i) Financial Instruments

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard requires entities to classify financial assets as being measured either at amortized cost or fair value depending on the business model and contractual cash flow characteristics of the asset. For financial liabilities, IFRS 9 requires an entity choosing to measure a liability at fair value to present the portion of the change in its fair value due to change in the entity's own credit risk in the other comprehensive income rather than in the statement of profit or loss. The new standard applies to annual periods beginning on or after January 1, 2015.

(ii) Disclosures – Transfers of Financial Assets

IFRS 7, Disclosures – Transfers of Financial Assets, is amended to require disclosure of information that allows users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities, and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. The amendments are effective for annual periods beginning on or after January 1, 2012.

(iii) Presentation of Items of Other Comprehensive Income ("OCI")

IAS 1, Presentation of Financial Statements, is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is effective for years beginning on or after July 1, 2012.

(iv) Employee Benefits

IAS 19, Employee Benefits, is revised to eliminate the option to defer the recognition of actuarial gains and losses, enhance the guidance around measurement of plan assets and defined benefit obligations, streamline the presentation of changes in assets and liabilities arising from defined benefit plans and enhance disclosure requirements for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

(v) Fair Value Measurement

IFRS 13, Fair Value Measurements, provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. The new standard is effective for years beginning on or after January 1, 2013.

(vi) New Standards Addressing the Scope of a Reporting Entity

Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, replaces SIC 12, Consolidation – Special Purpose Entities, and the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements. IFRS 10 includes a new definition of control that determines which entities are consolidated, and requires control of an investee to be reassessed when the facts and circumstances indicate that there have been changes to one or more of the criteria for determining control. This standard is effective for annual periods beginning on or after January 1, 2013.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2011	2010	January 1, 2010
Cash	$ 70,667	$ 59,905	$ 39,426
Cash equivalents	59,266	30,799	74,170
	$ 129,933	$ 90,704	$ 113,596

Investments held, which mature in less than 90 days from the original purchase date, are classified as cash equivalents on the Consolidated Statement of Financial Position. Generally, cash equivalents are comprised of bankers' acceptances, term deposits, and treasury bills. There is no asset-backed commercial paper classified as cash and cash equivalents at December 31, 2011, December 31, 2010 or January 1, 2010. At December 31, 2011, December 31, 2010, and January 1, 2010, none of the Company's cash was restricted.

5. INVESTMENTS

(a) Short-Term Investments

The following table presents a breakdown of the Company's short-term investments, all of which are classified at fair value through profit or loss:

	2011	2010	January 1, 2010
Preferred shares	$ –	$ –	$ 141
Guaranteed investment certificates	4,094	4,048	3,056
Other	108	105	112
	$ 4,202	$ 4,153	$ 3,309

The Company's exposure to credit, currency and interest rate risks and fair value information related to short-term investments is disclosed in note 15.

(b) Long-Term Investment

In July 2007, the Company invested $8,514 in asset-backed commercial paper ("ABCP") issued by Structured Investment Trust III, which was rated R1-High by the Dominion Bond Rating Service at the time it was purchased. In August 2007, the market for trading certain ABCP in Canada was halted after several issuers of ABCP could not obtain financing to roll their investments.

At December 31, 2010 and January 1, 2010, the Company performed a detailed valuation to determine the fair value of the long-term investment using a going concern valuation approach to a discounted cash flow model to come up with a range of reasonably possible outcomes.

During 2011, the market for MAV II notes has gradually transitioned from inactive and illiquid to partly active and increasingly liquid. As a result at December 31, 2011, the Company calculated the fair value on a blended basis between market price and the fair value from the valuation model described above to determine the fair value of the MAV II investment.

The following inputs were factored into the valuation model:

(i) Classification of notes received – Pursuant to the Plan Implementation, the Company received the following notes as replacement for its ABCP ("MAV II investment"):

MAV II CL-A-1:	$ 5,683
MAV II CL-A-2:	$ 1,425
MAV II CL-B:	$ 259
MAV II CL-C:	$ 228
MAV II CL-15:	$ 919

(ii) Recoverability of each type of restructured note – The Company estimated a range of between 100% and 85% recoverability for Class A-1 and Class A-2 Notes, 100% and 50% for Class B Notes, 80% and 40% for Class C Notes, and 50% and 0% for Class 15 Notes.

(iii) Term of investment – On March 20, 2008, the Investors Committee issued the "Information for Noteholders" report, which indicated that the maturity of the Notes will be in eight years.

(iv) Payment of interest – The "Information for Noteholders" report indicated that Class A - 1 and Class A - 2 Notes will pay interest regularly, while Class B Notes will accrue interest but will not pay interest on a current basis, and Class C Notes will accrue interest but will be paid as a low priority. The model assumes a range of possibilities including interest being paid, accrued and paid at the end of the term only, and not being accrued or paid, depending on the type of Notes. On January 12, 2009, the Investors Committee announced final court approval for implementation of the CCAA restructuring plan and announced terms for payment of accrued interest on the MAV II investment. The Company received total interest payments of **$73** during the year ended December 31, 2011 (2010 – $18). The interest payments received up to June 30, 2010 were offset against the principal amount.

(v) Coupon rate of interest – The Company used a 0% coupon rate in the valuation model, which includes an estimate of restructuring charges and takes into consideration the probability of interest payment to each class of Notes.

(vi) Discount rate – The discounted cash flow valuation model requires a discount rate to match the risks of owning this investment, and also to incorporate the liquidity and credit quality premiums. The yield on CAD Composite A, BBB and CAD Canada BB rated paper at December 31, 2011 is quoted as 2.72%, 3.14% and 5.26%, respectively, for a maturity of five years. The Company has added a premium for credit and liquidity risk of between 175 to 225 basis points.

The output from the valuation model has given the Company a range of possible fair values from **$5,439** to **$6,317** (2010 – $4,859 to $5,659). Based on available market values and fair values from the valuation model, the Company recorded the MAV II investment at **$5,406** (December 31, 2010 – $5,251 and January 1, 2010 – $4,525) on the Consolidated Statement of Financial Position. As a result, the Company recorded a fair value adjustment gain of **$155** (2010 – $734) in the Consolidated Statement of Profit.

The Company is continuing to monitor market conditions. Based on existing knowledge, it is reasonably possible that changes in future conditions in the near term could require a material change in the valuation of the MAV II investment.

6. TRADE AND OTHER RECEIVABLES

	2011	2010	January 1, 2010
Trade receivables	$ 158,348	$ 176,560	$ 174,875
Allowance for doubtful accounts	(7,139)	(9,515)	(11,623)
Net trade receivables	151,209	167,045	163,252
Other receivables	15,933	16,932	11,830
	$ 167,142	$ 183,977	$ 175,082

The Company's exposure to credit risks and impairment losses related to trade receivables is disclosed in note 15.

7. INVENTORIES

	2011	2010	January 1, 2010
Raw materials	$ 4,198	$ 5,108	$ 8,222
Work in progress	9,040	10,331	5,935
Finished goods	67,725	99,935	67,241
	$ 80,963	$ 115,374	$ 81,398

During the year ended December 31, 2011, the Company recorded an inventory provision of **$7,769** (2010 – $5,695) to write down the value of the inventory to estimated net realizable value and a reversal of inventory previously written down of **$348** (2010 – $1,390), due to the sale of the inventory previously written down. The net inventory provision of **$7,421** (2010 – $4,305) is included in cost of sales.

8. FINANCE LEASE RECEIVABLES

The Company's finance lease receivables include the following:

	2011	2010	January 1, 2010
Gross investment in finance leases	$ 48,731	$ 45,236	$ 44,646
Unearned finance income	(3,926)	(3,486)	(4,218)
Net investment in finance leases	44,805	41,750	40,428
Current portion	(21,336)	(17,426)	(11,831)
	$ 23,469	$ 24,324	$ 28,597

The future receipts of gross investment in finance lease receivables are as follows:

	2011	2010	January 1, 2010
Less than one year	$ 23,297	$ 19,397	$ 13,991
Between one and five years	24,876	25,804	30,608
More than five years	558	35	47
	$ 48,731	$ 45,236	$ 44,646

The future receipts of net investment in finance lease receivables are as follows:

	2011	2010	January 1, 2010
Less than one year	$ 21,336	$ 17,426	$ 11,831
Between one and five years	22,951	24,291	28,559
More than five years	518	33	38
	$ 44,805	$ 41,750	$ 40,428

9. DEFERRED TAX ASSETS AND LIABILITIES

(a) Unrecognized Deferred Tax Liabilities

At December 31, 2011 temporary differences of **$406,239** (2010 – $367,019) related to investments in subsidiaries were not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(b) Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	2011	2010
Deductible temporary differences	$ 4,327	$ 4,371
Tax losses	10,930	9,759
	$ 15,257	$ 14,130

The tax losses expire between 2014 and 2021. More than half of the tax losses have no expiry date. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

(c) Recognized Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	$ 1,680	$ 1,667	$ (194)	$ –	$ 1,486	$ 1,667
Goodwill and intangible assets	2,331	2,628	(5,642)	(9,796)	(3,311)	(7,168)
Inventories	4,066	3,189	–	–	4,066	3,189
Employee benefits	2,981	1,538	–	(98)	2,981	1,440
Provisions	3,488	4,404	(1,492)	(135)	1,996	4,269
Other items	303	11	(833)	(630)	(530)	(619)
Tax loss carry-forwards	1,271	744	–	–	1,271	744
Tax assets (liabilities)	16,120	14,181	(8,161)	(10,659)	7,959	3,522
Set off of tax	(310)	(166)	310	166	–	–
Net tax assets (liabilities)	$ 15,810	$ 14,015	$ (7,851)	$ (10,493)	$ 7,959	$ 3,522

Movement in temporary differences during the year:

	Balance January 1, 2010	Recognized in profit or loss	Foreign exchange translation recognized in other compre-hensive income	Recognized in other compre-hensive income	Balance December 31, 2010	Recognized in profit or loss	Foreign exchange translation recognized in other compre-hensive income	Recognized in other compre-hensive income	**Balance December 31, 2011**
Property, plant and equipment	$ 853	$ 947	$ (133)	$ –	$ 1,667	$ (218)	$ 37	$ –	**$ 1,486**
Goodwill and intangible assets	(9,779)	3,037	(426)	–	(7,168)	4,650	(793)	–	**(3,311)**
Inventories	2,974	250	(35)	–	3,189	1,057	(180)	–	**4,066**
Employee benefits	1,907	(95)	13	(385)	1,440	(649)	111	2,079	**2,981**
Provisions	2,013	2,625	(369)	–	4,269	(2,740)	467	–	**1,996**
Other items	(255)	(425)	61	–	(619)	108	(19)	–	**(530)**
Tax loss carry-forwards	1,782	(1,207)	169	–	744	635	(108)	–	**1,271**
	$ (505)	$ 5,132	$ (720)	$ (385)	$ 3,522	$ 2,843	$ (485)	$ 2,079	**$ 7,959**

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Tooling	Equipment	Furniture	Leasehold improvements	Vehicles	Total
Cost:							
Balance, January 1, 2010	$ 5,424	$ 19,736	$ 49,025	$ 8,749	$ 21,832	$ 293	$ 105,059
Additions	–	294	8,512	1,036	1,120	9	10,971
Disposals	–	(729)	(3,915)	(329)	(322)	(226)	(5,521)
Foreign exchange impact	21	(553)	(3,593)	(660)	(757)	(23)	(5,565)
Balance, December 31, 2010	$ 5,445	$ 18,748	$ 50,029	$ 8,796	$ 21,873	$ 53	$ 104,944
Additions	**–**	**555**	**3,800**	**310**	**514**	**–**	**5,179**
Disposals	**–**	**(1,534)**	**(4,824)**	**(18)**	**(98)**	**–**	**(6,474)**
Reclassifications	**–**	**11**	**(11)**	**–**	**–**	**–**	**–**
Foreign exchange impact	**63**	**140**	**625**	**(30)**	**118**	**(5)**	**911**
Balance, December 31, 2011	**$ 5,508**	**$ 17,920**	**$ 49,619**	**$ 9,058**	**$ 22,407**	**$ 48**	**$ 104,560**
Accumulated depreciation and impairment losses:							
Balance, January 1, 2010	$ (1,409)	$ (17,312)	$ (29,217)	$ (5,566)	$ (9,401)	$ (236)	$ (63,141)
Depreciation for the year	(272)	(911)	(7,144)	(856)	(2,486)	(17)	(11,686)
Disposals	–	729	3,244	171	240	209	4,593
Foreign exchange impact	31	574	1,412	448	315	20	2,800
Balance, December 31, 2010	$ (1,650)	$ (16,920)	$ (31,705)	$ (5,803)	$ (11,332)	$ (24)	$ (67,434)
Depreciation for the year	**(291)**	**(894)**	**(6,818)**	**(850)**	**(2,541)**	**(8)**	**(11,402)**
Disposals	**–**	**1,534**	**3,729**	**4**	**77**	**–**	**5,344**
Foreign exchange impact	**4**	**(110)**	**–**	**31**	**(43)**	**3**	**(115)**
Balance, December 31, 2011	**$ (1,937)**	**$ (16,390)**	**$ (34,794)**	**$ (6,618)**	**$ (13,839)**	**$ (29)**	**$ (73,607)**
Carrying amounts:							
January 1, 2010	$ 4,015	$ 2,424	$ 19,808	$ 3,183	$ 12,431	$ 57	$ 41,918
December 31, 2010	$ 3,795	$ 1,828	$ 18,324	$ 2,993	$ 10,541	$ 29	$ 37,510
December 31, 2011	**$ 3,571**	**$ 1,530**	**$ 14,825**	**$ 2,440**	**$ 8,568**	**$ 19**	**$ 30,953**

During 2011, depreciation of **$4,474** is included in cost of sales (2010 – $4,291).

Included in equipment is cost of **$14,329** and accumulated depreciation of **$5,820** (2010: cost – $17,781 and accumulated depreciation – $5,271) of equipment leased to customers as operating leases. The future minimum lease receivables under non-cancellable operating leases are as follows:

	2011	2010	January 1, 2010
Less than one year	**$ 4,667**	$ 5,564	$ 5,585
Between one and five years	**9,454**	12,989	12,688
More than five years	**631**	1,287	1,353
	$ 14,752	$ 19,840	$ 19,626

11. GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

The following table presents goodwill for the years ended December 31, 2011 and 2010:

	2011	2010
Cost:		
Balance, January 1	$ 56,776	$ 56,821
Foreign exchange impact	3	(45)
Balance, December 31	$ 56,779	$ 56,776
Accumulated impairment losses:		
Balance, January 1	$ (10,455)	$ (10,430)
Foreign exchange impact	(1)	(25)
Balance, December 31	$ (10,456)	$ (10,455)
Net balance, December 31	$ 46,323	$ 46,321

(b) Impairment Testing for Cash-Generating Units Containing Goodwill

The Company performs its annual impairment assessment of goodwill, intangible assets and property, plant and equipment in the fourth quarter of each year or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a cash generating unit ("CGU") exceeds the recoverable amount, which is determined as the greater of its value-in-use and its fair value less costs to sell.

The process of determining the recoverable amount of a CGU is subjective and requires management to exercise significant judgment in estimating future growth rates and discount rates, among other factors. The assumptions used in the annual impairment assessment are determined based on past experiences adjusted for expected changes in future conditions. The major assumptions include projections of cash flows, with primary emphasis on the Company's 2012 budget which was approved by the Board of Directors. The weighted-average cost of capital of approximately 18% was used, on a pre-tax basis, to discount cash flows. A sensitivity analysis was performed to identify the impact of changes in assumptions, including discount rates and projected growth rates. Management did not identify any reasonably probable changes in assumptions that would result in material impairments to the CGUs and as such, no impairment was recorded against goodwill, intangible assets or property, plant and equipment in 2011 and 2010 as the recoverable amounts exceeded their carrying amounts.

(c) Intangible Assets

	Patents	Customer relationships	Trade name license	Non-compete agreement	Computer software	Total
Cost:						
Balance, January 1, 2010	$ 50,923	$ 54,433	$ 2,197	$ 7,251	$ 11,032	$ 125,836
Additions	–	–	–	–	1,413	1,413
Disposals	(1,689)	–	–	–	(649)	(2,338)
Foreign exchange impact	(2,134)	(732)	(246)	(86)	(401)	(3,599)
Balance, December 31, 2010	$ 47,100	$ 53,701	$ 1,951	$ 7,165	$ 11,395	$ 121,312
Additions	**–**	**–**	**–**	**–**	**822**	**822**
Disposals	**–**	**–**	**–**	**–**	**(382)**	**(382)**
Foreign exchange impact	**(86)**	**(28)**	**(18)**	**3**	**(4)**	**(133)**
Balance, December 31, 2011	**$ 47,014**	**$ 53,673**	**$ 1,933**	**$ 7,168**	**$ 11,831**	**$121,619**
Accumulated amortization and impairment losses:						
Balance, January 1, 2010	$ (33,664)	$ (21,682)	$ (2,124)	$ (4,784)	$ (9,617)	$ (71,871)
Amortization for the year	(4,798)	(6,837)	(67)	(1,811)	(1,033)	(14,546)
Disposals	442	–	–	–	584	1,026
Foreign exchange impact	1,507	441	240	53	327	2,568
Balance, December 31, 2010	$ (36,513)	$ (28,078)	$ (1,951)	$ (6,542)	$ (9,739)	$ (82,823)
Amortization for the year	**(4,792)**	**(7,055)**	**–**	**(643)**	**(910)**	**(13,400)**
Disposals	**–**	**–**	**–**	**–**	**382**	**382**
Foreign exchange impact	**225**	**256**	**18**	**17**	**(4)**	**512**
Balance, December 31, 2011	**$ (41,080)**	**$ (34,877)**	**$ (1,933)**	**$ (7,168)**	**$ (10,271)**	**$ (95,329)**
Carrying amounts:						
January 1, 2010	$ 17,259	$ 32,751	$ 73	$ 2,467	$ 1,415	$ 53,965
December 31, 2010	$ 10,587	$ 25,623	$ –	$ 623	$ 1,656	$ 38,489
December 31, 2011	**$ 5,934**	**$ 18,796**	**$ –**	**$ –**	**$ 1,560**	**$ 26,290**

12. TRADE AND OTHER PAYABLES

	2011	2010	January 1, 2010
Trade payables	$ 37,851	$ 44,105	$ 34,130
VAT / HST and other tax payable	15,454	15,463	12,256
Accrued expenses	62,860	83,475	76,359
	$ 116,165	$ 143,043	$ 122,745

13. LOANS PAYABLE

The following table presents a breakdown of the Company's loans payable:

	2011	2010	January 1, 2010
Current liabilities:			
Term loan	$ –	$ 14,780	$ 14,630
Credit facilities	50	246	316
Loan	462	714	1,544
	$ 512	$ 15,740	$ 16,490
Non-current liabilities:			
Term loan	$ –	$ –	$ 14,630
Credit facilities	–	51	334
Loan	138	607	1,597
	$ 138	$ 658	$ 16,561

Terms and conditions of outstanding loans are as follows:

	2011		2010		January 1, 2010	
	Principal outstanding	Carrying amount	Principal outstanding	Carrying amount	Principal outstanding	Carrying amount
Term loan (a)	–	$ –	100,000 SEK	$ 14,780	200,000 SEK	$ 29,260
Credit facilities (b)	38 Euro	50	222 Euro	297	433 Euro	650
Loan (c)	454 Euro	600	992 Euro	1,321	2,094 Euro	3,141
		$ 650		$ 16,398		$ 33,051

(a) Term Loan

On April 30, 2008, the Company borrowed 350,000 Swedish kronor (SEK), or $58,940, under a three-year term loan, to finance a portion of its acquisition of Ericsson's Enterprise Communication business. All of the shares of Aastra Telecom Sweden AB were pledged as security, and Aastra Telecom Europe A/S provided a guarantee for the borrowing under the term loan. These entities are wholly owned subsidiaries of the Company.

The term loan bore interest at Stockholm Interbank Offered Rate ("STIBOR"), plus a margin and was repayable in six installments over three years. The Company's European holding company was required to maintain certain covenants with respect to the term loan. The loan was fully repaid in 2011.

(b) Credit Facilities

These credit facilities bear fixed interest rates from 5.49% to 5.55% and are repayable in monthly installments. Substantially all of the assets of Aastra Lease SA have been pledged as security for borrowing under these credit facilities.

(c) Loan

As part of the acquisition of the DeTeWe Telecom Systems business in 2005, the Company agreed to assume responsibility for the collection of specified pre-existing leasing receivables, and remit payment to the seller upon collection. Management believes it does not bear any of the economic risks associated with collection of these lease receivables, as any amounts not recoverable from the customers will result in a reduction to the loan payable by the Company to the seller in the same amount. The economic effect of this transaction is that the Company will act as an agent on behalf of the seller. The loan is non-interest bearing.

The future principal payments of the outstanding loans payable at December 31, 2011 are as follows:

	Credit facilities	Loan	Total
Less than one year	$ 50	$ 462	$ 512
Between one and five years	–	138	138
	$ 50	$ 600	$ 650

14. PROVISIONS

	Warranties	Other	Total
Balance, January 1, 2010	$ 8,412	$ 11,547	$ 19,959
Additions	5,551	2,866	8,417
Utilizations	(6,123)	(1,367)	(7,490)
Reversals	(219)	(3,011)	(3,230)
Unwind of discount	–	93	93
Foreign exchange impact	(55)	(659)	(714)
Balance, December 31, 2010	$ 7,566	$ 9,469	$ 17,035
Additions	**4,342**	**2,481**	**6,823**
Utilizations	**(5,701)**	**(980)**	**(6,681)**
Reversals	**(680)**	**(1,352)**	**(2,032)**
Unwind of discount	**–**	**100**	**100**
Foreign exchange impact	**129**	**85**	**214**
Balance, December 31, 2011	**$ 5,656**	**$ 9,803**	**$ 15,459**
Current	5,656	6,838	12,494
Non-current	–	2,965	2,965
	$ 5,656	$ 9,803	$ 15,459

(a) Warranties

The provision for warranties relates to products sold and is based on past experience of the level of repairs and returns. The Company expects to incur the liability over the next financial year.

(b) Other

Other provisions comprise site restoration, onerous contracts, legal claims and WEEE directive. Although the ultimate amount of these liabilities is uncertain, these provisions are based on information that is currently available. These provisions are expected to be utilized over the period to 2020.

15. FINANCIAL INSTRUMENTS

(a) Fair Values and Classification of Financial Instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statements of financial position, are as follows:

	2011		2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents, measured at fair value	**$ 129,933**	**$ 129,933**	$ 90,704	$ 90,704
Financial assets held for trading, measured at fair value:				
Short-term investments	**4,202**	**4,202**	4,153	4,153
Long-term investment	**5,406**	**5,406**	5,251	5,251
Loans and receivables, measured at amortized cost:				
Trade and other receivables	**167,142**	**167,142**	183,977	183,977
Finance lease receivables	**44,805**	**42,283**	41,750	39,601
Acquired lease receivables	**600**	**578**	1,321	1,265
Trade and other payables, measured at amortized cost	**(116,165)**	**(116,165)**	(143,043)	(143,043)
Loans payable, measured at amortized cost	**(650)**	**(626)**	(16,398)	(16,121)
	$ 235,273	**$ 232,753**	$ 167,715	$ 165,787

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above:

(i) The fair values of cash equivalents and short-term investments are determined by the quoted market values for each of the investments in an active market at the reporting date.

(ii) The fair value of the long-term investment is determined by using valuation techniques (note 5(b)).

(iii) The carrying amounts of cash, trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

(iv) The fair values of finance lease receivables, acquired lease receivables, and loans payable are estimated using the discounted cash flow method. The interest rates used to discount estimated cash flows are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2011	2010
Leases receivable	**4.8% to 5.1%**	3.9% to 4.3%
Loans payable	**4.8% to 5.5%**	3.0% to 3.9%

(b) Fair Value Hierarchy

Fair value measurements are classified under a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Level 1 is quoted prices in active markets for identical assets;

(ii) Level 2 includes variations using inputs other than the quoted market prices for which all significant inputs are based on observable market data, either directly or indirectly; and

(iii) Level 3 valuations are based on inputs that are not based on observable market data.

Financial assets that are measured at fair value are summarized below:

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Financial assets at fair value through profit or loss:				
Cash equivalents	**$ 59,266**	**$ –**	**$ –**	**$ 59,266**
Short-term investments	**4,202**	**–**	**–**	**4,202**
Long-term investment	**–**	**–**	**5,406**	**5,406**
	$ 63,468	**$ –**	**$ 5,406**	**$ 68,874**
December 31, 2010				
Financial assets at fair value through profit or loss:				
Cash equivalents	$ 30,799	$ –	$ –	$ 30,799
Short-term investments	4,153	–	–	4,153
Long-term investment	–	–	5,251	5,251
	$ 34,952	$ –	$ 5,251	$ 40,203

Changes in the fair value of the long-term investment are disclosed in note 5(b). There were no transfers of fair value measurements between levels of the fair value hierarchy in 2011 and 2010.

(c) Financial Risk Management

The Company, through its financial assets and liabilities, is exposed to various risks. The following provides an analysis of risks as at December 31, 2011.

(i) Credit Risk

Credit risk is the risk of loss resulting from the failure of a customer or counterparty to meet its contractual obligations to the Company. The carrying amount of financial assets represents the Company's estimate of maximum credit exposure.

The Company's credit risk is primarily attributable to its cash balances, trade and other receivables, and finance lease receivables. The Company's cash equivalents are held on deposit with Canadian banks and are invested in Government of Canada Treasury Bonds, in bankers' acceptance notes ("BAs") and in guaranteed investment certificates ("GICs) of Canadian banks. All the major banks with which the Company holds deposits, or in whose BAs and GICs the Company has invested, have a Tier 1 Capital ratio of 11% or greater, and a long term credit rating of Aa2 (Moody's), A+ (S&P), AA- (Fitch), and AA (DBRS) or greater.

The Company sells the majority of its services and products under trade and finance lease receivables to telecommunication and service integration partners companies in over 40 countries around the world. The Company's exposure to credit risk associated with non-payment by these customers is affected by conditions or occurrences within its industry and the global marketplace. The Company currently believes these conditions are challenging and is closely monitoring extensions of credit and performing ongoing credit evaluations of its customers' financial condition to manage its credit risk exposure. The Company believes it maintains adequate provisions for potential credit losses. The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts, estimated by the Company's management, based on prior experience and an assessment of current financial conditions of customers, as well as the general economic environment.

The aging of trade receivables at the reporting date was:

	2011		2010		January 1, 2010	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	$ 127,866	$ 4	$ 137,492	$ 6	$ 128,208	$ 3
Past due 0 - 30 days	14,471	8	13,516	11	16,898	25
Past due 31 - 90 days	5,166	9	6,795	52	10,302	30
Past due 91 - 120 days	1,420	234	2,549	232	2,030	259
More than 121 days	9,425	6,884	16,208	9,214	17,437	11,306
	$ 158,348	$ 7,139	$ 176,560	$ 9,515	$ 174,875	$ 11,623

	2011	2010
Balance, January 1	$ 9,515	$ 11,623
Impairment loss recognized	1,043	1,437
Receivables written off during the year as uncollectible	(918)	(1,478)
Reversal of impairment	(1,016)	(597)
Recovered amount	(1,443)	(411)
Foreign exchange translation differences	(42)	(1,059)
Balance, December 31	$ 7,139	$ 9,515

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's primary source of liquidity is its cash reserves. The Company also maintains certain credit facilities to support short-term funding of operations. The Company believes it has sufficient available funds to meet current and foreseeable financial requirements. The repayment schedule for the Company's long-term credit facilities is included in note 13.

(iii) Market Risk

Market risk arises from changes in market prices and rates (including interest rates, foreign exchange rates, and equity prices), the correlations among them, and their levels of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency Risk

The Company is subject to currency risk through its activities in the United States, Europe, Latin America and Asia. Unfavourable changes in the exchange rate may affect the operating results of the Company. The Company does not actively use derivative instruments to reduce its exposure to foreign currency risk. There were no foreign currency forward contracts outstanding at December 31, 2011 and 2010.

The Company's major currency exposures are summarized in Canadian dollar equivalents in the following table. The local currency amounts have been converted to Canadian dollar equivalent using the spot rates at the reporting date.

	USD	EUR	DKK	SEK
December 31, 2011				
Cash and cash equivalents	**$ 4,334**	**$ 30,230**	**$ –**	**$ 300**
Trade and other receivables	**2,991**	**7,999**	**–**	**372**
Other financial assets (a)	**2,217**	**72,182**	**8,295**	**9,337**
Trade and other payables	**(2,190)**	**(6,621)**	**–**	**(4,670)**
Other financial liabilities (a)	**(6,576)**	**(9,356)**	**(23)**	**–**
Net exposure	**$ 776**	**$ 94,434**	**$ 8,272**	**$ 5,339**
December 31, 2010				
Cash and cash equivalents	$ 2,661	$ 11,972	$ –	$ 2,309
Trade and other receivables	4,214	9,375	1	15
Other financial assets (a)	18,587	85,213	8,937	42,086
Trade and other payables	(251)	(10,220)	(10,231)	(5)
Other financial liabilities (a)	(10,497)	(33,456)	(3,961)	(280)
Net exposure	$ 14,714	$ 62,884	$ (5,254)	$ 44,125
January 1, 2010				
Cash and cash equivalents	$ 426	$ 11,359	$ 3	$ 44
Trade and other receivables	3,433	10,791	3	53
Other financial assets (a)	9,626	64,796	5,328	36,338
Trade and other payables	(2,772)	(10,936)	(4)	(2,996)
Other financial liabilities (a)	(9,090)	(24,267)	(854)	(5,559)
Net exposure	$ 1,623	$ 51,743	$ 4,476	$ 27,880

(a) This includes foreign currency denominated inter-company balances.
(b) USD = U.S. Dollar; EUR = Euro; DKK = Danish Krone; SEK = Swedish Krona

A 5% strengthening of the Canadian dollar against the following currencies at December 31 would have increased (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	USD	EUR	DKK	SEK
December 31, 2011				
Equity	**$ –**	**$ (1,875)**	**$ –**	**$ (351)**
Profit	**(39)**	**(2,847)**	**(414)**	**84**
December 31, 2010				
Equity	$ (288)	$ (1,745)	$ (447)	$ (1,865)
Profit	(447)	(1,399)	710	(341)

A 5% weakening of the Canadian dollar against the above currencies at December 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

The Company is exposed to interest rate risk, in that changes in market interest rates will cause fluctuations in the fair value of its cash equivalents, short-term investments, loans and receivables and long-term credit facilities.

16. CAPITAL MANAGEMENT

The Company's objectives when managing its capital are:

(a) to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk, while providing an appropriate return to its shareholders;

(b) to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business;

(c) to safeguard the Company's ability to obtain financing should the need arise; and

(d) to maintain financial flexibility in order to have access to capital in the event of future acquisitions, and to manage the business through changing economic conditions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above. The Company also responds to changes in economic conditions and the risk characteristics of the underlying assets and its working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures.

In 2011 and 2010, the Company paid quarterly dividends (see note 17(c)).

During the year ended December 31, 2011, the Company repaid the balance of the term loan in the amount of **$15,340** or **100,000 Swedish kronor** (2010 – $14,660 or 100,000 Swedish kronor).

The Company monitors the return on capital, which is defined as profit divided by total equity. There were no changes in the Company's approach to capital management during the year ended December 31, 2011. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

17. CAPITAL AND OTHER COMPONENTS OF EQUITY

(a) Authorized Share Capital

Unlimited preferred shares with no par value
Unlimited common shares with no par value

(b) Share Repurchase Program

On October 19, 2009, the Company received regulatory approval to commence a Normal Course Issuer Bid (the "2009 NCI Bid") which commenced on October 26, 2009 and expired on October 25, 2010. No shares were repurchased under the 2009 NCI Bid.

On October 25, 2010, the Company received regulatory approval to commence a Normal Course Issuer Bid (the "2010 NCI Bid") which commenced on October 27, 2010 and expired on October 26, 2011. Under the 2010 NCI Bid, the Company could repurchase up to 700,000 of its common shares. During the year ended December 31, 2011, 55,400 shares were repurchased at an average per share value of $15.23, for an aggregate purchase amount of $844. This resulted in $374 being recorded as a reduction to share capital, and $470 as a reduction in retained earnings. No shares were repurchased under the 2010 NCI Bid during the year ended December 31, 2010.

On November 1, 2011, the Company received regulatory approval to commence a Normal Course Issuer Bid (the "2011 NCI Bid") which commenced on November 3, 2011 and will expire on November 2, 2012. Under the 2011 NCI Bid, the Company may repurchase up to 700,000 of its common shares. During the year ended December 31, 2011, 37,500 shares were repurchased at an average per share value of $13.75, for an aggregate purchase amount of $515. This resulted in $252 being recorded as a reduction to share capital, and $263 as a reduction in retained earnings.

(c) Dividends

During the year ended December 31, 2011, the Company paid quarterly dividends of $0.20 (2010 – $0.20) per qualifying common share, for a total amount of **$11,258** (2010 – $11,197).

18. EARNINGS PER SHARE

The following table reconciles the numerators and denominators of the basic and diluted earnings per share computation. Basic earnings per share calculation is as follows:

	2011	2010
Numerator for basic earnings per share:		
Profit	$ 26,172	$ 25,388
Denominator for basic earnings per share:		
Weighted average common shares	14,061,422	13,994,884
Basic net earnings per share	$ 1.86	$ 1.81

Diluted earnings per share calculation is as follows:

	2011	2010
Numerator for diluted earnings per share:		
Profit	$ 26,172	$ 25,388
Denominator for diluted earnings per share:		
Weighted average common shares	14,061,422	13,994,884
Effect of share options on issue	93,925	134,057
Diluted weighted average common shares	14,155,347	14,128,941
Diluted net earnings per share	$ 1.85	$ 1.80

At December 31, 2011, **878,000** options (2010 – 701,250) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

19. SHARE-BASED PAYMENTS

At December 31, 2011, the Company has two share-based payment arrangements: a) stock option program and b) share appreciation rights ("SARs") program.

(a) Stock Option Program

The Company operates two stock option arrangements where settlement is made in equity. The first plan was initiated during the year 2000 and is hereafter referred to as the "2000 Option Plan". Under the 2000 Option Plan, 3,000,000 common shares of the Company were reserved for the issuance of stock options and the Company granted stock options to certain employees, officers and directors. No further grants of options are permitted under the 2000 Option Plan since the approval of the 2006 Option Plan in May 2006.

The second plan was approved by shareholders at the Company's Annual General Meeting in May 2006, and is hereafter referred to as the "2006 Option Plan". Under the 2006 Option Plan, the Company is able to grant options up to 10% of its outstanding share capital as of the date of approval of the 2006 Option Plan. Options are priced at the weighted average share price outstanding for the five days preceding the option grant date.

The Company has granted stock options under both plans to certain employees, officers and directors.

Stock options currently granted vest over periods from one to six years and expire between five and ten years from the date of grant.

Stock option transactions were as follows:

	Number of shares under option		Weighted average exercise price per option
Balance, January 1, 2010	1,285,000	$	24.21
Granted	333,500		24.87
Exercised	(202,050)		16.20
Cancelled	(29,950)		29.09
Balance, December 31, 2010	1,386,500	$	25.43
Granted	**260,000**		**14.00**
Exercised	**(70,000)**		**12.16**
Cancelled	**(205,500)**		**27.70**
Balance, December 31, 2011	**1,371,000**	**$**	**23.60**

The weighted average share price at the date of exercise for stock options exercised in 2011 was **$17.28** (2010 – $27.80).

At December 31, 2011, the range of exercise prices of stock options outstanding and exercisable is as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	**Number outstanding, December 31, 2011**	Weighted average remaining contractual life (years)	Weighted average exercise price	**Number exercisable, December 31, 2011**	Weighted average exercise price
$ 9.00 – $10.50	**76,500**	1.82	$ 10.50	**76,500**	$ 10.50
$12.00 – $15.00	**416,500**	3.73	13.84	**129,000**	13.27
$20.00 – $27.00	**266,500**	3.56	22.65	**67,875**	22.69
$31.00 – $33.00	**539,000**	5.34	32.08	**433,750**	32.14
$34.00 – $38.10	**72,500**	0.32	34.00	**72,500**	34.00
	1,371,000		$ 23.60	**779,625**	$ 26.24

The fair value of the stock options is amortized on a straight-line basis over the vesting periods of the options. For the year ended December 31, 2011, the Company recognized stock compensation expense of **$1,394** (2010 – $1,754) relating to the fair value of options granted.

The fair value of the options granted during 2011 and 2010 is calculated at the date of each grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011 Option granted	2010 Option granted
Fair value at grant date	$3.77	$8.12
Share price at grant date	$13.87	$24.84
Exercise price	$14.00	$24.87
Risk-free interest rate	1.31%	2.28%
Dividend yield	5.77%	3.28%
Volatility factor of the expected market price of the Company's shares	52.18%	49.47%
Expected option life	4 years	4 years

(b) SARs Program

The SARs program, which commenced on July 28, 2010, is a long-term cash incentive plan for directors, officers, and employees of the Company's subsidiaries excluding any director, officer or employee of the Company. Under the SARs plan, participants are eligible to receive an award of share units having a specified award market value. The award market value is the weighted average trading price of the Company's common shares on the Toronto Stock Exchange ("TSX") on the ten trading days immediately preceding the award date. The SARs have up to a 5-year term, vest over four years on each anniversary date of the grant and are exercisable at any time after the share units have vested. Upon exercise, each participant is entitled to receive the amount by which the exercise market value, which is the weighted average trading price of the Company's share price on the TSX on the ten trading days immediately preceding the exercise date, exceeds the award market value, less any applicable withholding taxes.

SARs transactions were as follows:

	Number of share units under option	Weighted average exercise price per option
Balance, January 1, 2010	–	$ –
Granted	20,000	23.50
Exercised	–	–
Balance, December 31, 2010	20,000	$ 23.50
Granted	20,000	13.87
Exercised	–	–
Balance, December 31, 2011	40,000	$ 18.26

As of December 31, 2011, **5,000** share units (2010 – nil) have vested. During the year ended December 31, 2011, the Company reversed compensation expense of **$2** (2010 – recognized compensation expense of $33) associated with the share units. As of December 31, 2011, the Company has recognized a cumulative compensation payable of **$31** (2010 – $33).

The inputs used in the measurement of the fair values at grant date of the SARs plan are the following:

	2011 Options granted	2010 Options granted
Fair value at grant date	$3.77	$7.26
Share price at grant date	$13.87	$22.65
Exercise price	$14.00	$23.50
Volatility factor of the expected market price of the Company's shares	52.18%	49.66%

20. REVENUE

	2011	2010
Sale of goods	$ 531,558	$ 568,350
Rendering of services	149,364	137,338
Operating leases	7,348	7,123
Other	4,724	4,125
	$ 692,994	$ 716,936

21. EXPENSES BY NATURE

		2011		2010
Employee benefits (a)	$	224,498	$	234,314
Product and service costs		303,694		301,406
Marketing and advertising		13,779		17,514
Facility and related costs		37,808		39,784
Depreciation and amortization		24,802		26,232
Professional fees		4,361		3,857
Other		52,808		58,774
	$	661,750	$	681,881

(a) Employee benefits include salaries, bonuses, social security contributions, and share-based compensation.

22. OTHER INCOME

On March 1, 2010, the Company sold shares and certain assets comprising its optical transmission and multiplexer product line, to KEYMILE GmbH, for consideration of $3,649 (Euro 2,538). The operations and cash flows disposed could not be distinguished from the rest of the Company and as such are not disclosed as discontinued operations.

The net assets disposed of are as follows:

		2011		2010
Net assets disposed	$	–	$	967
Cash received, net of cash disposed		–		3,649
Gain on disposition	$	–	$	2,682

23. INVESTMENT TAX CREDITS

The Company realized a benefit of **$2,600** (2010 – $3,578) relating to investment tax credits. These tax credits are recorded as a reduction to research and development expenses in the year.

As at December 31, 2011, **$6,830** (2010 – $6,806) is recorded in net current tax assets.

24. FINANCE INCOME

		2011		2010
Interest income	$	727	$	457
Finance income from leases		2,698		2,522
Fair value adjustment gain on long-term investment (note 5(b))		155		734
Other		20		37
	$	3,600	$	3,750

25. FINANCE EXPENSE

		2011		2010
Interest expense on bank loans	$	159	$	380
Interest expense excluding bank loans		85		116
Unwind of discount		100		93
	$	344	$	589

26. INCOME TAX EXPENSE

		2011		2010
Current tax expense:				
Current period	$	7,650	$	10,643
Deferred tax expense:				
Origination and reversal of temporary differences	$	(1,650)	$	(4,482)
Change in tax rates		(229)		167
Change in unrecognized temporary differences		(693)		373
Recognition of previously unrecognized tax losses		(271)		(1,190)
	$	(2,843)	$	(5,132)
Total income tax expense	$	4,807	$	5,511

The following table summarizes the income tax recognized in other comprehensive income:

	2011			2010		
	Before tax	Tax (expense) benefit	Net of Tax	Before tax	Tax (expense) benefit	Net of tax
Foreign currency translation differences for foreign operations	$ 2,352	$ –	$ 2,352	$ (8,511)	$ –	$ (8,511)
Defined benefit plan actuarial gains (losses)	(14,583)	2,079	(12,504)	2,923	(385)	2,538
	$ (12,231)	$ 2,079	$ (10,152)	$ (5,588)	$ (385)	$ (5,973)

The following table provides a reconciliation of the effective tax rate:

	2011		2010	
Profit		$ 26,172		$ 25,388
Income taxes		4,807		5,511
Profit before income taxes		$ 30,979		$ 30,899
Income tax using the Company's domestic tax rate	28.25%	$ 8,752	31.00%	$ 9,579
Effect of tax rates in foreign jurisdictions	(11.00%)	(3,407)	(8.75%)	(2,705)
Change in tax rates	(0.74%)	(229)	0.54%	167
Non-deductible expenses	1.52%	470	0.39%	122
Tax incentives	(2.01%)	(622)	(2.95%)	(911)
Recognition of previously unrecognized tax losses	(0.87%)	(271)	(3.85%)	(1,190)
Current year losses for which no deferred tax asset was recognized	2.61%	807	0.25%	76
Change in unrecognized temporary differences	(2.24%)	(693)	1.21%	373
	15.52%	$ 4,807	17.84%	$ 5,511

27. SUPPLEMENTAL CASH FLOW INFORMATION

The change in non-cash operating working capital consists of the following:

	2011	2010
Trade and other receivables	$ 16,243	$ (21,805)
Inventories	35,835	(35,192)
Finance lease receivables	(3,595)	(6,002)
Prepaid expenses and other assets	46	(607)
Trade and other payables	(27,029)	21,740
Deferred income	2,780	4,018
Provisions	(1,711)	(1,753)
	$ 22,569	$ (39,601)

28. PENSIONS

The Company participates in various pension plans in North America and Europe. In countries where there are legal requirements to fund these pension plans, the Company funds these plans as required. In other countries, no such obligation exists.

The following table presents pension liabilities of the Company by type of plan:

	2011	2010	January 1, 2010
Funded defined benefit pension plans	$ 16,715	$ 3,535	$ 7,891
Unfunded defined contribution pension plan	2,353	2,076	2,543
Unfunded defined benefit pension plan	18,498	18,694	20,898
	$ 37,566	$ 24,305	$ 31,332

The following table summarizes the cumulative actuarial gains and losses recognized in other comprehensive income:

	2011	2010
Cumulative actuarial gain, January 1	$ 2,923	$ –
Actuarial (loss) gain recognized during the period	(14,583)	2,923
Cumulative actuarial (loss) gain, December 31	$ (11,660)	$ 2,923

(a) Funded Defined Benefit Pension Plan in North America

During 2006, the Company commenced an Individual Pension Plan scheme for certain senior North American executives. The plan provides pensions based on years of service, years of contributions and earnings, and guarantees the plan members an annual rate of return on plan assets of 7.5%.

Actuarial estimates and maximum retirement benefits are based on projections of employees' compensation levels at the time of retirement, subject to certain adjustments. The most recent actuarial valuation was completed as of December 31, 2011 for the year ended 2011.

The estimated present value of accrued plan benefits and the estimated market value of the net assets available to provide for these benefits are as follows:

	2011	2010	January 1, 2010
Defined benefit obligations	$ (2,122)	$ (1,834)	$ (1,734)
Plan assets, at fair value	1,852	1,676	1,412
Accrued benefit liabilities	$ 270	$ 158	$ 322

The following information is provided on pension fund assets:

	2011	2010
Plan assets, January 1	$ 1,676	$ 1,412
Expected return on plan assets	131	111
Actuarial gain (loss) on plan assets	(220)	12
Company contributions	265	141
Plan assets, December 31	$ 1,852	$ 1,676

Defined benefit obligations are outlined below:

	2011	2010
Defined benefit obligations, January 1	$ 1,834	$ 1,734
Service cost	140	140
Interest cost	148	141
Actuarial gain	–	(181)
Defined benefit obligations, December 31	$ 2,122	$ 1,834

Accrued benefit liabilities are outlined below:

	2011	2010
Accrued benefit liabilities, January 1	$ 158	$ 322
Benefit expense	157	170
Company contributions	(265)	(141)
Amount recognized in other comprehensive income	220	(193)
Accrued benefit liabilities, December 31	$ 270	$ 158

Net plan expense is outlined below:

	2011	2010
Service cost	$ 140	$ 140
Interest cost on accrued benefit obligations	148	141
Expected return on plan assets	(131)	(111)
Net plan expense	$ 157	$ 170

The expense is recognized in the following line items in the consolidated statement of profit:

	2011	2010
Selling, general and administrative	$ 126	$ 137
Research and development	31	33
	$ 157	$ 170
Actual return on plan assets	$ (89)	$ 123

Actuarial assumptions:

	2011	2010
Weighted average discount rate for accrued benefit obligations	7.5%	7.5%
Weighted average rate of compensation increase	5.5%	5.5%
Weighted average expected long-term rate of return on plan assets	7.5%	7.5%

Allocation of plan assets:

Asset category	2011	2010
Equity securities	100%	100%

Historical information:

	2011	2010	January 1, 2010
Present value of the defined benefit obligation	$ (2,122)	$ (1,834)	$ (1,734)
Fair value of plan assets	1,852	1,676	1,412
Deficit in the plan	$ 270	$ 158	$ 322
Experience losses (gains) on plan liabilities	$ –	$ –	$ –
Experience losses (gains) on plan assets	$ 220	$ (12)	$ (110)

Contributions:

	Employer	Employee	Total
Actual contributions during 2010	$ 141	$ –	$ 141
Actual contributions during 2011	**265**	**–**	**265**
Expected contributions during 2012	151	–	151

(b) Funded Defined Benefit Pension Plan in Europe

In connection with an acquisition in 2003, the Company commenced participation in a contributory defined benefit pension plan which covers certain employees in Switzerland. The plan provides pensions based on years of service, years of contributions and earnings.

Actuarial estimates and maximum retirement benefits are based on projections of employees' compensation levels at the time of retirement, subject to certain adjustments. The next required funding valuation will be as of December 31, 2012 and is performed every two years.

The estimated present value of accrued plan benefits and the estimated market value of the net assets available to provide for these benefits are as follows:

	2011	2010	January 1, 2010
Defined benefit obligations	$ (90,303)	$ (76,320)	$ (68,049)
Plan assets, at fair value	73,858	72,979	60,546
Accrued benefit liabilities	$ 16,445	$ 3,341	$ 7,503

Pension fund assets consist primarily of fixed income and equity securities, valued at market value. The following information is provided on pension fund assets:

	2011	2010
Plan assets, January 1	$ 72,979	$ 60,546
Expected return on plan assets	3,138	2,541
Actuarial (loss) gain on plan assets	(7,136)	3,550
Employee contributions	2,155	1,859
Company contributions	2,274	1,964
Benefits paid/assets transferred in	(945)	(1,353)
Foreign exchange impact	1,393	3,872
Plan assets, December 31	$ 73,858	$ 72,979

Defined benefit obligations are outlined below:

	2011	2010
Defined benefit obligations, January 1	$ 76,320	$ 68,049
Service cost	1,719	1,960
Interest cost	2,148	1,957
Benefits paid/assets transferred in	(945)	(1,353)
Employee contributions	2,155	1,859
Actuarial loss (gain)	7,859	(103)
Foreign exchange impact	1,047	3,951
Defined benefit obligations, December 31	$ 90,303	$ 76,320

Accrued benefit liabilities are outlined below:

	2011	2010
Accrued benefit liabilities, January 1	$ 3,341	$ 7,503
Benefit expense	729	1,376
Company contributions	(2,274)	(1,964)
Amount recognized in other comprehensive income	14,995	(3,653)
Foreign exchange impact	(346)	79
Accrued benefit liabilities, December 31	$ 16,445	$ 3,341

Net plan expense is outlined below:

	2011	2010
Service cost	$ 1,719	$ 1,960
Interest cost on accrued benefit obligations	2,148	1,957
Expected return on plan assets	(3,138)	(2,541)
Net plan expense	$ 729	$ 1,376

The expense is recognized in the following line items in the consolidated statement of profit:

	2011	2010
Cost of sales	$ 163	$ 256
Selling, general and administrative	325	660
Research and development	241	460
	$ 729	$ 1,376
Actual return on plan assets	$ (3,998)	$ 6,091

Actuarial assumptions:

	2011	2010
Weighted average discount rate for accrued benefit obligations	2.75%	3.00%
Weighted average rate of compensation increase	2.00%	2.00%
Weighted average expected long-term rate of return on plan assets	4.00%	4.25%

Allocation of plan assets:

Asset category	Target allocation	2011	2010
Equity securities	38%	30%	37%
Debt securities	19%	16%	13%
Cash	3%	8%	8%
Properties	40%	46%	42%
	100%	100%	100%

The Company makes contributions to the plan to secure the benefits of plan members and invests in permitted investments, using the target ranges established by the Pension Committee of the pension fund. The Pension Committee reviews actuarial assumptions on an annual basis. The assumptions established, including the expected long-term rate of return, are based on the existing performance and trends and expected results.

Historical information:

	2011	2010	January 1, 2010
Present value of the defined benefit obligation	$ (90,303)	$ (76,320)	$ (68,049)
Fair value of plan assets	73,858	72,979	60,546
Deficit in the plan	$ 16,445	$ 3,341	$ 7,503
Experience losses (gains) on plan liabilities	$ (1,375)	$ –	$ –
Experience losses (gains) on plan assets	$ 7,136	$ (3,550)	$ (2,684)

Contributions:

	Employer	Employee	Total
Actual contributions during 2010	$ 1,964	$ 1,859	$ 3,823
Actual contributions during 2011	**2,274**	**2,155**	**4,429**
Expected contributions during 2012	2,249	2,131	4,380

(c) Unfunded Pension Plans

Defined Contribution Pension Liabilities

In Italy, the Company participates in state pension plans, for which contributions expensed correspond to the contributions payable to the state organizations. The Company's obligation is limited to the amount of contributions that are expensed. During 2011, the Company expensed **$1,358** (2010 – $1,223) of contributions to defined contribution plans.

Defined Benefit Pension Liabilities

As part of the acquisitions of the EADS Telephony Business and the DeTeWe Telecom Systems Business, the Company assumed the pension obligations related to certain European employees in 2005.

Independent actuaries calculate the Company's obligation in respect of these plans, using the accrued benefit valuation method. Actuarial assumptions comprise mortality, rates of employee turnover, projection of future salary levels, and revaluation of future benefits. Future estimated benefits are discounted using discount rates appropriate to each country. These plans have differing characteristics. In Germany, retirees benefit from the receipt of a perpetual annuity during their retirement. In France, retirees benefit from a lump sum payment on the employee's retirement or departure.

The most recent actuarial valuations were completed as of December 31, 2011. The next required valuations will be as of December 31, 2012.

The accrued benefit liabilities are net of a plan asset of **$276** at December 31, 2011, $55 at December 31, 2010 and $260 at January 1, 2010.

Defined benefit obligations are outlined below:

	2011	2010
Defined benefit obligations, January 1	$ 17,190	$ 18,396
Service cost	484	413
Interest cost	842	841
Benefits paid	(441)	(440)
Other	(70)	213
Adjustment for past service cost	–	570
Divestiture	–	(1,624)
Actuarial (gains) losses	(693)	904
Foreign exchange impact	(167)	(2,083)
Defined benefit obligations, December 31	$ 17,145	$ 17,190

Accrued benefit liabilities are outlined below:

	2011	2010
Accrued benefit net liabilities, January 1	$ 18,694	$ 20,898
Benefit expense	882	1,282
Benefits paid	(441)	(440)
Divestiture	–	(1,624)
Other	172	–
Amount recognized in other comprehensive income	(633)	923
Foreign exchange impact	(176)	(2,345)
Accrued benefit net liabilities, December 31	$ 18,498	$ 18,694

The reconciliation of defined benefit obligations to accrued benefit liabilities is outlined below:

	2011	2010	January,1 2010
Accrued benefit net liabilities, December 31	$ 18,498	$ 18,694	$ 20,898
Unrecognized past service cost (unvested)	(1,353)	(1,504)	(2,502)
Defined benefit obligations, December 31	$ 17,145	$ 17,190	$ 18,396

Net plan expense is outlined below:

	2011	2010
Service cost	$ 484	$ 413
Interest cost on accrued benefit obligations	842	841
Amortization of past service cost	(143)	(166)
Actuarial gains	(59)	(19)
Other	(414)	213
Net plan expense	$ 710	$ 1,282

The expense is recognized in the following line items in the consolidated statement of profit:

	2011	2010
Cost of sales	$ 147	$ 242
Selling, general and administrative	397	848
Research and development	166	192
	$ 710	$ 1,282

Actuarial assumptions:

	2011	2010
Discount rate for accrued benefit obligations	4.75% to 5.25%	4.65% to 5.00%
Rate of compensation increase	2.50% to 3.00%	2.50% to 3.00%

29. SEGMENTED AND GEOGRAPHICAL INFORMATION

Segment Disclosures

The Company operates in the Enterprise Communication segment which develops and markets a full line of residential and business telephones for the cable and telecommunication markets. The Enterprise Communication segment is managed geographically between Americas, Europe and Other. The Other segment includes Africa, Asia, the Middle East and the Asia-Pacific region.

Management evaluates each geographic segment's performance based on revenues less cost of goods sold, selling, general and administrative expenses, depreciation of property, plant and equipment and amortization of intangible assets. The accounting policies of the geographic segments are the same as those described in the summary of significant accounting policies. Research and development and corporate selling, general and administrative expenses that benefit all geographic segments, are not allocated to a geographic segment and are included in "Corporate".

The following tables present the segmented statements of profit for the years ended December 31, 2011 and 2010:

2011	Americas	Europe	Other	Corporate	Total
Revenue	$ 86,540	$ 560,737	$ 45,717	$ –	$ 692,994
Cost of sales	55,308	315,586	27,221	1,671	399,786
	31,232	245,151	18,496	(1,671)	293,208
Expenses (income):					
Selling, general and administrative	18,305	142,991	8,393	8,787	178,476
Depreciation of property, plant and equipment	1,867	4,675	386	–	6,928
Amortization of intangible assets	703	12,239	458	–	13,400
	$ 10,357	$ 85,246	$ 9,259	$ (10,458)	$ 94,404
Research and development					63,160
Foreign exchange loss					3,521
Finance income					(3,600)
Finance expenses					344
Profit before income taxes					30,979
Income taxes					4,807
Profit					$ 26,172

2010	Americas	Europe	Other	Corporate	Total
Revenue	$ 102,660	$ 561,519	$ 52,757	$ –	$ 716,936
Cost of sales	58,874	313,714	31,481	1,857	405,926
	43,786	247,805	21,276	(1,857)	311,010
Expenses (income):					
Selling, general and administrative	19,721	148,248	6,944	9,893	184,806
Depreciation of property, plant and equipment	2,011	5,085	299	–	7,395
Amortization of intangible assets	1,043	12,996	507	–	14,546
	$ 21,011	$ 81,476	$ 13,526	$ (11,750)	$ 104,263
Research and development					69,208
Foreign exchange loss					9,999
Other income					(2,682)
Finance income					(3,750)
Finance expenses					589
Profit before income taxes					30,899
Income taxes					5,511
Profit					$ 25,388

The following table presents sales to third party customers attributable to geographic location based on the location of the customer for the years ended December 31, 2011, and 2010:

	2011	2010
Germany	$ 157,897	$ 156,118
France	115,098	112,411
United States	58,237	67,733
Nordic	63,008	62,639
Canada	12,304	14,663
Other	286,450	303,372
	$ 692,994	$ 716,936

Goodwill by reportable segment is as follows:

	2011	2010	January 1, 2010
Europe	$ 45,134	$ 45,133	$ 45,215
Other	1,189	1,188	1,176
	$ 46,323	$ 46,321	$ 46,391

Property, plant and equipment and intangible assets by geographical area are as follows:

	2011	2010	January 1, 2010
Canada	$ 4,763	$ 5,290	$ 5,707
United States	3,552	4,150	5,688
Europe	45,818	62,708	80,437
Other foreign	3,110	3,851	4,051
	$ 57,243	$ 75,999	$ 95,883

30. RELATED PARTIES

Intercompany Transactions

The Company has thirty-six wholly owned subsidiaries which have intercompany transactions under the normal course of operations and are eliminated upon consolidation.

Key Management Personnel Compensation

Key management personnel are comprised of the Company's directors and executive officers. In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf, as described in note 28. Executive officers also participate in the Company's share option program (see note 19).

Key management personnel compensation is as follows:

	2011	2010
Short-term employee benefits (a)	$ 3,773	$ 3,478
Post-employment benefits	304	199
Share-based compensation	829	1,705
	$ 4,906	$ 5,382

(a) Short-term employee benefits include salaries, bonuses, and social security contributions.

31. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

(a) Lease Commitments

The future minimum annual lease payments under operating leases for rental premises, vehicles, and equipment are as follows:

2012	$ 22,040
2013	16,053
2014	13,490
2015	7,491
2016	6,305
Thereafter	7,433
	$ 72,812

During 2011, total operating lease expense was **$23,010** (2010 – $23,415).

(b) Bluetooth Technology Partnership Canada Program

During 2002, the Company entered into an agreement with Technology Partnerships Canada, which will provide the Company funding, to a maximum of $9,900, to reimburse 33% of eligible costs for a specific research project. To date, the Company has claimed approximately **$9,093** (2010 – $9,093), and received approximately **$9,093** (2010 – $8,236) from the program. The Company is obligated to pay a royalty of 2.2% of gross project revenues, during a royalty period from January 1, 2006 to December 31, 2012. During 2011, the Company paid **$689** (2010 – $815) in royalties.

(c) Litigation

In the normal course of operations, the Company may be subject to litigation and claims from customers, suppliers, patent holders and former employees. Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the results of operations, financial position, or liquidity of the Company.

(d) Guarantees

The Company's obligations under guarantees are not recognized in the financial statements, but are disclosed. The Company provides routine commercial letters of credit, letters of guarantee, contractual vendor rebates, and indemnifications to various third parties, whose terms range in duration and often are not explicitly defined.

(e) Income Taxes

The Company is subject to tax audits by local tax authorities. Tax authorities could challenge the validity of the Company's intercompany financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgment. If any of these tax authorities is successful in challenging the Company's intercompany transactions, the Company's income tax expense may be adversely affected and the Company could also be subjected to interest and penalty charges.

32. SUBSEQUENT EVENTS

(a) Declaration of Cash Dividend

On February 15, 2012, the Board of Directors declared a cash dividend of $0.20 per share on its common shares, payable on March 22, 2012, to all shareholders of record at the close of business on March 1, 2012.

(b) Share Repurchase Program

On February 22, 2012, the Company's Board of Directors approved the repurchase of up to $50,000 of its common shares for subsequent cancellation.

Shareholders wishing to tender to the proposed bid may do so by electing one of two options: (i) tendering into the Dutch auction process or (ii) electing a proportionate tender. If a shareholder elects a proportionate tender, they will not be permitted to participate in the Dutch auction process.

The Dutch auction tender process will allow shareholders to tender a certain number of shares within the specified price range of $21.00 to $23.00 per share.

Alternatively, shareholders may make a proportionate tender that will allow them to maintain their current proportionate share ownership in the Company following the completion of the bid wherein the price per common share and the number of common shares will be based upon the results of the Dutch auction process.

33. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2(a), these are the Company's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS consolidated statement of financial position at January 1, 2010 (the Company's date of transition).

IFRS Mandatory Exception

Estimates – In accordance with IFRS 1, estimates under IFRS at the date of transition must be consistent with estimates made for the same date under Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Reconciliations of Canadian GAAP to IFRS

In preparing its opening IFRS consolidated statement of financial position, the Company has adjusted amounts reported previously in consolidated financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRSs has affected the Company's financial position, results of operations and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of total comprehensive income:

	Note	December 31, 2010
Profit reported under Canadian GAAP		$ 23,956
Adjustments upon adoption of IFRS (net of income tax):		
Intangible assets	(a)	(99)
Onerous contract provision	(b)	172
Share-based payments	(c)	702
Employee benefits	(d)	378
Reclassification of currency translation differences	(e)	47
Deferred income taxes	(g)	237
Other		(5)
Profit reported under IFRS		25,388
Other comprehensive loss reported under Canadian GAAP		(7,862)
Adjustments upon adoption of IFRS (net of income tax):		
Employee benefits	(d)	2,538
Currency translation differences on IFRS adjustments	(f)	(649)
Other comprehensive loss reported under IFRS		(5,973)
Total comprehensive income reported under IFRS		$ 19,415

Reconciliation of equity:

	Note	January 1, 2010	December 31, 2010
Equity reported under Canadian GAAP		$ 302,841	$ 313,490
Adjustments upon adoption of IFRS (net of income tax):			
Intangible assets	(a)	1,738	1,452
Onerous contract provision	(b)	(422)	(207)
Share-based payments	(c)	–	(23)
Employee benefits	(d)	(5,481)	(2,758)
Deferred income taxes	(g)	4,478	4,463
Other		176	158
Equity reported under IFRS		$ 303,330	$ 316,575

Notes to the Reconciliations

(a) Accounting for Business Combinations

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the transition date. The Company elected to apply IFRS 3 on a prospective basis to business combinations that occurred subsequent to January 1, 2010 and previous business combinations have not been restated.

As a condition under IFRS 1 for applying this exemption, goodwill relating to business combinations that occurred prior to January 1, 2008 was tested for impairment. No impairment existed at the date of transition.

By applying IFRS 3 prospectively, a transition adjustment was necessary due to differences in the treatment of tax losses acquired in a business combination. Under previous Canadian GAAP, tax losses acquired in a business combination were assessed for realizability at the time of acquisition. When the realization of tax losses did not meet the more likely than not realization criterion, a valuation allowance was recorded against the future tax assets associated with the tax losses in the initial purchase price allocation. Following the acquisition, if the more likely than not realization criterion is met, the valuation allowance is released and the goodwill and intangible assets associated with the business combination are reduced by the same amount. Only after goodwill and intangibles were exhausted would the income tax expense be reduced.

Under IFRS, when it is probable that tax losses will be used, the deferred tax asset is set up and the income tax expense is reduced. On transition, the Company re-instated intangible assets previously reduced by releasing the valuation allowance recognized under Canadian GAAP. Amortization expense increased due to re-instating the intangible assets. Generally, this has resulted in an increase in intangible assets and the related depreciation and amortization expense.

In addition, an onerous contract was acquired in a business combination and the provision for this contract was revalued on an annual basis under Canadian GAAP. When the provision was revalued, the intangible assets associated with this business combination were reduced by the same amount. On transition to IFRS, the Company re-instated intangible assets previously ground down by releasing the revaluation amount. This adjustment has resulted in an increase in intangible assets and the related depreciation and amortization expense and a decrease to selling, general and administrative expenses.

The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income:	December 31, 2010
Decrease in selling, general and administrative	$ 143
Increase in depreciation and amortization	(947)
Decrease in income taxes	705
Decrease in profit	$ (99)

Consolidated statement of financial position:	January 1, 2010	December 31, 2010
Increase in intangible assets	$ 2,504	$ 2,098
Increase in deferred tax liabilities	(766)	(646)
Increase in equity	$ 1,738	$ 1,452

(b) Onerous Contracts

Under IFRSs, provisions for loss-making executory contracts (onerous contracts) are recognized as they arise rather than at the time they are settled, resulting in a requirement for additional provisions. Such provisions were not previously recognized under Canadian GAAP.

Generally, this has resulted in an increase in provisions and a decrease in retained earnings on January 1, 2010. The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income:	December 31, 2010
Decrease in cost of sales	$ 246
Increase in income taxes	(74)
Increase in profit	$ 172

Consolidated statement of financial position:	January 1, 2010	December 31, 2010
Increase in provisions	$ (603)	$ (296)
Increase in deferred tax assets	181	89
Decrease in equity	$ (422)	$ (207)

(c) Share-Based Payments

IFRS 2, Share-based Payments, permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company elected to apply IFRS 2 to share-based payments granted after November 7, 2002 that had not vested by January 1, 2010.

For equity-settled share-based payments, Canadian GAAP allowed each grant to be treated as a single arrangement and compensation expense to be determined at the time of grant and amortized over the vesting period on a straight-line basis. IFRS requires a separate calculation of compensation expense for grants that vest in installments. At January 1, 2010, share-based costs that had not been recognized under Canadian GAAP were recognized in retained earnings, with a corresponding adjustment to contributed surplus.

For cash-settled share-based payments, Canadian GAAP did not require expense to be recognized when the SARs were out-of-the-money, since measurement was based on intrinsic value. Under IFRS, SARs are remeasured at fair value at each reporting period and any changes in fair value are recognized in profit or loss for the period.

The impact arising from these changes is summarized as follows:

Consolidated statement of comprehensive income:	December 31, 2010
Decrease in selling, general and administrative	$ 692
Decrease in income taxes	10
Increase in profit	$ 702

Consolidated statement of financial position:	January 1, 2010	December 31, 2010
Increase in trade and other payables	$ –	$ (33)
Increase in deferred tax assets	–	10
Decrease in equity	$ –	$ (23)

(d) Employee Benefits

IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, Employee Benefits, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under Canadian GAAP in retained earnings at the transition date. The Company elected to recognize the cumulative actuarial gains and losses that existed at January 1, 2010 in retained earnings for all of its employee benefit plans. At December 31, 2009, the Company had $6,116 of unrecognized actuarial losses under Canadian GAAP.

On an on-going basis, the Company's IFRS accounting policy is to recognize all actuarial gains and losses immediately in other comprehensive income. The unrecognized actuarial gains and losses that were recognized in profit or loss for the year ending December 31, 2010 under previous Canadian GAAP of $214 were reversed, and all actuarial gains and losses arising in 2010, net of tax, of $2,538 were recognized in other comprehensive income.

The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income:	December 31, 2010
Decrease in cost of sales	$ 176
Decrease in selling, general and administrative	49
Decrease in research and development	182
Increase in income taxes	(29)
Increase in profit	378
Increase in defined benefit plan actuarial gains, net of tax	2,538
Increase in total comprehensive income	$ 2,916

Consolidated statement of financial position:	January 1, 2010	December 31, 2010
Increase in net pensions	$ (6,116)	$ (3,035)
Decrease (increase) in deferred tax liabilities	26	(72)
Increase in deferred tax assets	609	349
Decrease in equity	$ (5,481)	$ (2,758)

(e) Currency Translation Differences

Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Company elected to reset all cumulative translation gains and losses to zero in retained earnings at January 1, 2010. The foreign currency cumulative translation difference balance at January 1, 2010 was $5,456. The application of the exemption had no impact on net equity.

Canadian GAAP considered a dividend payment from a foreign subsidiary as a partial disposition of the foreign operation. As a result, on payment of such a dividend, a portion of the cumulative exchange differences relating to the foreign operation was reclassified from the translation reserve to profit or loss. For the year ended December 31, 2010, the reclassification of $47 was reversed under IFRS since IFRS does not consider a dividend from a foreign subsidiary as a partial disposal of a foreign operation. The adjustment had no impact on net equity.

The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income:	December 31, 2010
Decrease in foreign exchange loss	$ 47
Increase in profit	$ 47

(f) Currency Translation Differences on IFRS Adjustments

Adjustments to the currency translation reserve are due to the translation of IFRS adjustments recorded in a different currency than the Company's functional currency. The translation of assets and liabilities are translated to Canadian dollars at exchange rates at the reporting date and the income and expenses are translated to Canadian dollars at the average exchange rates for the period.

(g) Deferred Income Taxes

Under IFRS, deferred income tax assets are recognized for temporary differences arising from intercompany transfers of inventory and other assets, which was not required under Canadian GAAP.

The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income:	December 31, 2010
Decrease in income taxes	$ 237
Increase in profit	$ 237

Consolidated statement of financial position:	January 1, 2010	December 31, 2010
Increase in deferred tax assets	$ 2,145	$ 2,348
Decrease in deferred tax liabilities	2,333	2,115
Increase in equity	$ 4,478	$ 4,463

(h) Effect of IFRS Adjustments on Deferred Income Taxes

The above changes impacted the deferred income tax assets and liabilities as follows:

Consolidated statement of financial position:	Note	January 1, 2010	December 31, 2010
Deferred tax assets:			
Onerous contract provision	(b)	$ 181	$ 89
Share-based payments	(c)	–	10
Employee benefits	(d)	609	349
		790	448
Deferred tax liabilities:			
Intangible assets	(a)	(766)	(646)
Employee benefits	(d)	26	(72)
Other		(85)	(75)
		(825)	(793)
Deferred tax liabilities, net		$ (35)	$ (345)

Material Adjustments to the Statement of Cash Flows

Consistent with the Company's accounting policy choice under IAS 7, Statement of Cash Flows, interest received has been classified as investing activities and interest paid has been classified as financing activities in the consolidated statements of cash flows, whereas they were previously included in cash provided by operating activities. There are no other material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous Canadian GAAP.

CORPORATE DIRECTORY

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Chairman and
Co-Chief Executive Officer

Anthony P. Shen, P.Eng
Co-Chief Executive Officer,
President and Chief Operating Officer

Hugues Scholaert, P.Eng
Regional Group President
and Executive Vice-President

Gerald J. Shortall, C.A.
Independent Director

David M. Williams
Independent Director

Michael T. Rosicki
Independent Director

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David M. Williams
Michael T. Rosicki

Compensation
David M. Williams – Chairman
Gerald J. Shortall
Michael T. Rosicki

Governance and Nominating
Michael T. Rosicki – Chairman
Gerald J. Shortall
David M. Williams

LEAD INDEPENDENT DIRECTOR
David M. Williams

AUDITORS
KPMG LLP
Chartered Accountants
Toronto, Ontario, Canada

CORPORATE OFFICERS
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Chairman and
Co-Chief Executive Officer

Anthony P. Shen, P.Eng
Co-Chief Executive Officer,
President and Chief Operating Officer

Allan J. Brett, CA, CBV
Vice-President, Finance
and Chief Financial Officer

Hugues Scholaert, P.Eng
Regional Group President
and Executive Vice-President

John Tobia, M.A.Sc., LL.B.
Vice-President, Legal,
General Counsel and Secretary

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Vice-President, Video Technology
and Development
Aastra Telecom Inc.

Pierre-Alexandre Fuhrmann
Head of Global R&D
Aastra France SAS

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Stock Symbol – AAH
Toronto, Ontario, Canada

TRANSFER AGENT AND REGISTRAR
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