

Dividends

Profits

Dividends

Revenue
Profits
Semiconductors
Communications
Technology
Patents
Licensing
Memory

DRAM

Wireless



The Value of Innovation

Annual Report 2011

HIGHLIGHTS

Financial Highlights

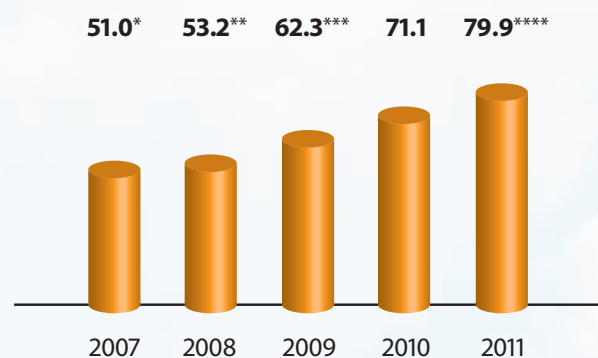
(Amounts in thousands of Canadian dollars, except per share amounts)

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Revenues	\$ 80,537	\$ 71,110	\$ 62,538
Pro forma net income [†]	\$ 34,609	\$ 30,531	\$ 21,152
Pro forma diluted earnings per share	\$ 2.89	\$ 2.87	\$ 2.05
Cash, cash equivalents, marketable securities	\$114,830	\$100,828	\$ 51,787
Total assets	\$225,131	\$216,079	\$172,942
Shareholders equity	\$169,366	\$154,341	\$110,547
Dividends	\$ 11,827	\$ 10,655	\$ 10,320

[†] Pro forma net income, a non-GAAP measure, is GAAP net income adjusted for stock-based compensation, patent amortization and imputed interest, foreign exchange gains and losses on "Other long-term liabilities," and any other non-recurring items. The Company uses pro forma measures internally to evaluate and manage operating performance, and to forecast and plan. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. A reconciliation of pro forma net income to GAAP net income is provided in the Company's annual Management's Discussion and Analysis (MD&A) document.

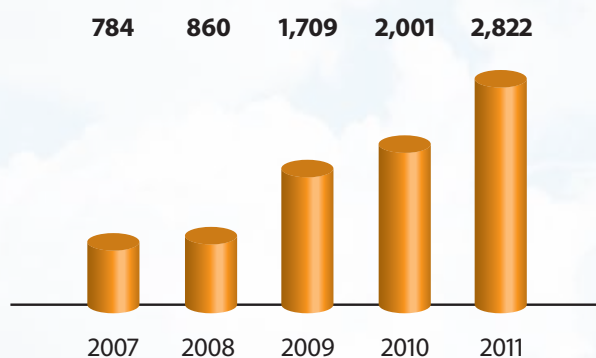
Patent Licensing Revenue Growth

\$Millions



Patents and Applications by Fiscal Year

#



* Excludes one-time revenue of \$8.9 million related to patent sales

** Excludes one-time revenue of \$1.9 million related to patent sales

*** Excludes one-time revenue of \$200,000 million related to patent sales

**** Excludes one-time revenue of \$616,000 million related to patent sales

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Fiscal 2011 Letter to Shareholders

Dear shareholders:

Fiscal 2011 was an important year in MOSAID's ongoing drive as one of the world's leading intellectual property (IP) companies focused on the licensing and development of semiconductor and communications technologies. The Company delivered excellent financial results and met all of its key operational targets. We are very pleased with the 13% – 14% annual revenue growth MOSAID has achieved since fiscal 2009, and our goal is to deliver much higher rates of revenue growth beyond fiscal 2012. Management plans to attain this objective by making targeted multi-year investments in litigation, in the acquisition and monetization of patent assets, and by strengthening our team.

Financial Highlights

- Annual revenues increased 13% to \$80.5 million, setting a new record as the Company's highest level of patent licensing revenues. MOSAID has collected more than \$480 million in patent licensing revenues since signing its first patent license agreement in 1999, and has hundreds of millions of dollars in backlog.
- Pro forma net income rose 13% to \$34.6 million or \$2.89 per diluted share, the best result since the Company began reporting pro forma results in fiscal 2007.
- MOSAID generated \$40.3 million in cash before any changes in working capital, and had cash, cash equivalents and marketable securities at the close of the fiscal year of \$114.8 million, or \$9.65 per share.
- On a GAAP basis, net income of \$25.0 million or \$2.09 per diluted share was the second-highest in our 36-year history.
- MOSAID has been profitable on a pro forma net income and GAAP net income basis for seven consecutive years.
- Shareholders received \$11.8 million in dividends, the most since MOSAID began paying a dividend in mid-2005. The Company has paid an uninterrupted quarterly dividend for six years.

In fiscal 2011, MOSAID continued to enjoy success in its two major patent licensing programs, the Semiconductor Licensing Program and the Communications Licensing Program.

Semiconductor Licensing

MOSAID signed five semiconductor agreements during the fiscal year, including memory portfolio deals with Nanya Technology, IBM Corporation and Hynix Semiconductor, and microcomponents portfolio agreements with LG Electronics and MediaTek. The agreements with both Hynix and Nanya—respectively the world's second and fourth largest producers of commodity Dynamic Random Access Memory (DRAM)—were completed without any break in coverage and made MOSAID five-for-five in terms of renewing expiring licenses on time, and at the same or better terms and conditions. Our success in renewing multi-year term agreements has resulted in a stream of stable and predictable revenues, and we have clearly demonstrated the ability to successfully strengthen MOSAID's core portfolio of semiconductor

memory patents through acquisitions and by filing patent applications on our own inventions.

Communications Licensing

In fiscal 2011, MOSAID signed three licenses under its Communications program: two wireless agreements and one related to our communications portfolio of Power over Ethernet patents. The multi-year wireless deal signed with a top-ranked supplier of Wi-Fi chips was the Company's first with a Wi-Fi chip supplier. With the ongoing growth in the wireless connectivity market, this license is now providing a significant stream of royalty-based revenues.

In total, MOSAID has signed 16 wireless deals, and we are licensing into four Wi-Fi enabled markets: handsets, notebook and netbook computers, wireless infrastructure, and gaming equipment.

Defending Our IP Rights

MOSAID moved vigorously to defend its IP rights by initiating two new patent infringement suits during the fiscal year, and three more actions after year end.

In fiscal 2011, MOSAID filed a wireless patent infringement lawsuit against 17 companies, including chip makers Marvell, Atheros, Intel, Ralink, Realtek and CSR, as well as some of their customers, including Canon, Dell, Huawei and RIM. MOSAID also filed suit against three companies—NVIDIA, Freescale and Interphase—alleging infringement of certain microcomponents patents.

After the end of the fiscal year, we filed suit against Elpida Memory, Buffalo and Axiontech for infringing MOSAID's DRAM patents. Elpida is the world's 3rd largest commodity DRAM vendor.

MOSAID was already involved in litigation against Cisco Systems, which started in mid-2010 when Cisco filed a declaratory judgment action against MOSAID. In May 2011, we filed a complaint for patent infringement with the International Trade Commission, requesting an investigation of certain products made and imported by CISCO that contain Power over Ethernet and other technologies.

In July 2011, the Company sued HTC American and Sony Ericsson for infringing three U.S. patents that are essential to all cellular telephones that implement the enhanced 911 standard, as mandated by the U.S. Federal Communications Commission.

An Expanding Portfolio of Patents

MOSAID's portfolio grew by 41% to 2,822 patents and applications in fiscal 2011, as we made great progress in developing our portfolio of patents and patent applications, both in terms of absolute numbers, and in the breadth of technology covered.

We added a large number of DRAM patents from Samsung, and over 200 optical communications patents and applications from PGT-Photonics S.p.A. of Italy. MOSAID also acquired patents related to sensor networks, to storage and power management systems, to

wireless handsets, to distributed processing and cloud computing, and to network routing and management. Many of these patents are now assigned to current licensing programs, and some may form the basis for future licensing programs, or patent sales.

The Company also entered into a binding Memorandum of Understanding to acquire several hundred patents and applications from Hynix, relating to semiconductor manufacturing processes and memory technologies. The patent selection process will be completed in fiscal 2012. The process and memory patents from Hynix, combined with others we already own, may play a role in licensing others in the semiconductor and in future memory patent license agreement renewals.

R&D—Delivering Patents and New Technology

Fiscal 2011 was another year of achievement for MOSAID on the R&D front. We unveiled a Solid State Drive (SSD) prototype, based on our HLNAND™ technology, which delivers bandwidths an order of magnitude higher than SSDs based on conventional NAND Flash interfaces. We also announced the technical specifications for our next-generation HLNAND2 technology. The HLNAND program also continues to be a significant source of patented technology. During the year, MOSAID inventors filed 90 patent applications related to Flash memory, bringing the portfolio to 498 Flash-related patent applications, with 53 now issued as U.S. patents.

Over the last five fiscal years, MOSAID has invested \$11.6 million on R&D, much of it on HLNAND. This cost-effective investment has resulted in a large portfolio of Flash patents and applications—intellectual property that was a factor in signing our first license with Micron, and in the renewals of the Samsung and Hynix patent license agreements.

Strengthening the Board

We also strengthened MOSAID's board with the addition of three new directors: Jerry Mills, John Veschi and Ian Giffen. Jerry Mills is an acclaimed patent attorney who is providing valuable input on MOSAID's litigation strategy. John Veschi, Nortel's Chief Intellectual Property Officer, brings a wealth of technical, legal and business skills that will help us drive growth. And Ian Giffen brings more than two decades of experience as a board director, financial and technology advisor and CFO.

New Subsidiary in Texas

During the fiscal year, MOSAID formed a new subsidiary, MOSAID Corporation Ltd., and opened an office in Plano, Texas, just north of Dallas. This development is a key step in MOSAID's growth as an internationally oriented intellectual property licensing and innovation company. Over the next several years, we plan to staff the office with U.S. patent attorneys and patent licensing engineers. The patent attorneys will be involved in patent prosecution, performing due diligence on potential patent acquisitions, and providing licensing and litigation support. The patent licensing engineers will provide technical support to our licensing teams.

Driving for Growth

Going forward, our core strategy of driving shareholder value through the monetization of intellectual property, primarily in the vast markets of semiconductors and communications

technologies, remains unchanged. The multi-year investment strategy we are implementing in fiscal 2012 is essential for achieving our aggressive growth goals.

We have already increased the intensity of our litigation activities, and we anticipate initiating or becoming involved in additional patent infringement cases. We regard litigation as an investment that we will make in order to secure additional revenues in a timelier manner than would be possible without litigation.

Patents and patent applications are MOSAID's core asset, and we plan to increase acquisitions as we go forward. Our objectives in acquiring new patent assets are to strengthen existing programs and to acquire new portfolios that create licensing opportunities in new technology markets.

The expansion of MOSAID's patent portfolio will enable us to increase the number of licensing programs beyond the current number of four. While we will continue to license within the general areas of semiconductors and communications technologies, a key goal of any new programs will be to create opportunities with unlicensed companies.

As a patent licensing and innovation company, R&D will remain a core activity. We will continue to develop MOSAID's HLNAND Flash technology with the primary objective of strengthening our Flash patent portfolio. Over the longer term, we will target new areas of research that will contribute to innovation and help us further build the patent portfolio.

In conclusion, fiscal 2011 was a year of strong financial results and solid operational achievements. The targeted investments we are making today are designed to achieve even higher rates of revenue growth and continued strong profitability beyond fiscal 2012, for the ultimate benefit of our shareholders.

John Lindgren
President and
Chief Executive Officer

Carl Schlachte
Chairman of the
Board



Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

This discussion and analysis is dated July 6, 2011. It should be read in conjunction with the audited consolidated financial statements and notes thereto for MOSAID Technologies Incorporated (the Company or MOSAID) for the fiscal year ended April 30, 2011, as well as with Management's Discussion and Analysis (MD&A) for the Company's audited consolidated financial statements and notes for the prior year. Unless otherwise stated, all amounts are in Canadian dollars.

Management is responsible for establishing appropriate information systems, procedures and controls to ensure that all financial information disclosed externally, including this MD&A, and used internally by management, is complete and reliable. These procedures include the review and approval of the financial statements and associated information, including this MD&A, first by the Disclosure Committee, a committee of the management team, the Audit Committee of the Board of Directors (the Board), and subsequently by the Board.

Forward-looking Information Statements in MD&A

This document and certain other public documents incorporated by reference in this document contain forward-looking statements to the extent they relate to MOSAID or its management, including those identified by the expressions "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "will," "would" and similar expressions. Similarly, statements in this document that describe MOSAID's business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. These forward-looking statements are not historical facts, but rather reflect MOSAID's current expectations regarding future events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially from current expectations. Assumptions made in preparing forward-looking statements and financial guidance include, but are not limited to, the following:

- MOSAID's continued expansion of its patent portfolio and of its opportunities for future patent licensing revenue as a result of MOSAID's acquisition of patents from third parties and from development of new inventions;
- semiconductor and telecommunications product vendors continuing to infringe MOSAID's patents;
- the timing and amount of MOSAID's litigation expenses;
- MOSAID's ability to sign new licensees;
- foreign exchange rates;
- current assumptions as to the identification of products that are unlicensed to MOSAID's patents; and
- the timing and amount of MOSAID's research and development (R&D) expenses.

Factors that could cause actual results to differ materially from expected results include, but are not limited to, the following:

- MOSAID's ability to negotiate settlements with licensees;
- legal rulings and/or regulatory investigations or complaints having an adverse impact on the validity, enforceability, potential royalty rates, and strength or breadth of coverage of MOSAID's essential and/or nonessential patents (including, but not limited to, adverse results from litigation or proceedings in patent offices and government regulatory agencies in various countries around the world);
- judicial, legislative or regulatory changes that impair the ability of patent holders to earn licensing revenues;
- worldwide economic conditions and demand for technology products;
- economic, social, and political conditions both globally and in the countries in which MOSAID or patent licensees operate, including conflict, war and, other security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- non-payment or delays in payment by or insolvency of licensees or other debtors;
- variability in patent licensees' sales of licensed products;
- failure to maintain and enforce MOSAID's existing patent portfolio, or failure to obtain valuable patents as a result of R&D activities, or failure to acquire valuable patents from third parties;
- MOSAID's ability to recruit and retain skilled personnel;
- change in MOSAID's financial position;
- consolidation of MOSAID's licensees;
- natural events, such as severe weather and earthquakes in the locations in which MOSAID or patent licensees operate; and
- changes in the tax rate applicable to MOSAID as the result of changes in the tax law in the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets.

Except as may be required by applicable law or stock exchange regulation, the Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If the Company updates one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements. Additional information identifying risks and uncertainties affecting MOSAID's business and other factors that could cause MOSAID's financial results to fluctuate are contained in MOSAID's Annual Information Form, under the section entitled "Risk Factors," and in MOSAID's other public filings available online at www.sedar.com.

Non-GAAP measures

Pro forma net income, which is not a generally accepted accounting principle (GAAP) measure, is GAAP net income adjusted for stock-based compensation, patent amortization and imputed interest, foreign exchange gains and losses on other long-term liabilities, and other non-recurring items as reconciled below.

Pro forma foreign exchange gain or loss, which is not a GAAP measure, is GAAP foreign exchange gain or loss adjusted for foreign exchange gains or losses on other long-term liabilities.

The Company uses pro forma measures internally to evaluate and manage operating performance as well as to forecast and plan. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Certification

Certification by MOSAID's CEO and CFO of Annual Filings, as prescribed by Form 52-109F1, is required in conjunction with the reporting of these annual results and is filed accordingly with SEDAR.

Executive Summary

The Company achieved significant financial and operational results during fiscal 2011.

Patent licensing revenues and pro forma net income set new record levels and GAAP net income was the second highest in Company history. The Company renewed two significant license arrangements and signed a major Wi-Fi semiconductor manufacturer to the Company's wireless portfolio.

The number of patents and applications rose by 41% as compared to the prior year, through both the acquisitions of patents and the filing of applications of internally developed technology. During the year, a proof of concept solid state drive (SSD) related to the Company's HLNAND Flash memory technology was produced, and the Company announced the technical specifications for the next generation of development.

Later in the fiscal year and subsequent to year-end, the Company announced several patent infringement litigations and actions designed to protect the Company's intellectual property rights. As a result, the Company indicated that it expected Licensing and Litigation expense to increase significantly as compared to the prior year.

For fiscal 2012, the Company anticipates revenues to grow by approximately 6% - 10% and to be profitable for the eighth consecutive year.

Company Operations

The Company derives value for shareholders by monetizing its technology, primarily by licensing its patents worldwide.

The process which the Company uses to enter into licensing agreements with third parties that utilize the Company's patented technologies is, typically, as follows:

- The Company identifies both the prospective licensees and the products it believes are infringing the Company's patents, often utilizing reverse engineering;

- The Company sends a letter to the prospective licensee identifying both certain infringing products and certain patents that are infringed, and requesting a meeting to discuss the terms under which the Company would be willing to license the identified patents;
- The Company prepares for negotiations with prospective licensees by developing a business proposal based in part on the Company's analysis and estimates of the size of the market and the market share and pricing of the prospective licensee's applicable products;
- At some point early in the communications with the prospective licensee, the Company presents claim charts mapping specific patent claims in the patents to applicable standards and/or to the prospective licensee's products. Typical stages of the discussion will involve technical, legal, business and other issues. The stages may occur serially or in parallel.
- If licensing discussions fail to result in a license agreement in a reasonable amount of time or if the prospective licensee refuses to enter discussions, the Company may enter into litigation.

The Company utilizes a variety of payment structures in its licensing agreements. Fixed payment term agreements provide the Company with a relatively predictable base of regular cash flows, while running royalty agreements allow for upside revenue potential as market conditions improve. As well, on occasion, the Company will utilize a single payment model.

The Company typically utilizes term-based multi-year arrangements, which provide the Company with known licensing terms and conditions for the duration of its agreements, as well as an opportunity to adjust these terms and conditions as agreements expire and come due for renewal.

Many of the Company's existing and potential licensees are large multinational companies; none-the-less, the Company monitors their financial position and operational results both prior to and during the term of the licensing agreements, for among other things, creditworthiness. The Company utilizes credit insurance to protect certain of its assets when deemed appropriate by the Company and when available.

Due to the long-term nature of many of the Company's licensing arrangements, in certain circumstances, the Company may not be able to obtain, at reasonable cost, if at all, credit insurance or other forms of credit risk mitigation instruments. A default of the remaining payments by one of the Company's major licensees could have a materially adverse impact on the Company's future revenues, earnings, cash flow and financial position.

The Company cautiously invests its surplus cash with the primary objective of protecting the capital. The Company does not invest in asset-based commercial paper and only invests in highly rated investment grade securities with maturities of 12 months or less, in order to reduce credit and interest rate risk.

The Company has several patent portfolios that address multiple markets related to semiconductor and communications technologies. These portfolios provide the Company with a significant pipeline of potential licensees of varying size that operate in multi-billion dollar markets. While these portfolios can provide revenue growth for the Company in the short-term to medium-term, long-term growth will come from a combination of organic and acquisition activities, with acquisition of portfolios that address new markets being a key component. Organic

growth can take substantial time as there is a time lag between the development by the Company of patented technology and the potential commercialization, if at all, by third parties of such technology.

When the Company acquires large dollar assets, primarily acquired intangibles, it may negotiate payment terms spanning several years in order to better match the assets' expected cash inflows with the payments.

In some instances, the Company will not acquire the actual ownership of the intangible asset but will acquire most of the benefits of ownership through an exclusive licensing arrangement. Typically, these types of arrangements require relatively little cash outflow by the Company at the time of entering the arrangement.

When the Company acquires intangible assets outright or enters into an exclusive licensing arrangement, there may be further sharing of the future revenues, if any, with the seller or owner of the patent. Typically, any further sharing of revenues occurs at the time of monetization of the patent by the Company. This structure allows the Company to share the risks and rewards related to the asset with the seller or owner.

As many of the Company's revenues and expenses are denominated in currencies other than its reporting currency, for both economic and reporting purposes, the Company utilizes forward exchange contracts with highly credit worthy counter-parties, to help mitigate its foreign exchange risk. The Company does not use such instruments for speculative purposes.

Management believes the Company is sufficiently capitalized and that, if required, could obtain access to additional financing.



A handwritten signature in black ink, appearing to read 'Joseph Brown'.

Joseph Brown
Vice President and
Chief Financial Officer

Core Businesses and Strategy

Core Business

At the beginning of fiscal 2011, MOSAID was focused on renewal of a key semiconductor licensee, expanding the number of licensees to its wireless portfolio and preparing for further discussions with potential licensees to its microcomponent and communications patent portfolios.

Operationally, MOSAID conducts its business through multiple departments: Patent Licensing, Patent Acquisition, Patent Administration and Technology R&D. The mandate of the Licensing department is to monetize the patent portfolio asset by primarily entering into patent licensing agreements with third

parties and, with the support of the other departments, to lead the 'mining' activity to identify patents that can be used in licensing or other monetization activities or that may no longer be of strategic importance to the Company. The mandate of the Patent Acquisition department is to evaluate and acquire new patents, while the Patent Administration department is responsible for filing new patent applications, prosecuting pending patent applications and maintaining existing patent filings. The mandate of the Technology R&D department is to generate patented technology for future potential benefit to the Company.

MOSAID currently pursues licensing opportunities through two major licensing programs, which operate in parallel: the Semiconductor Licensing Program and the Communications Licensing Program.

The Semiconductor Licensing Program focuses on licensing MOSAID's memory portfolio and its microcomponents patent portfolio. Under this program, the Company licenses patents related to a variety of memory types, including Dynamic Random Access Memory (DRAM), Flash Memory and Pseudo Static Random Access Memory (PSRAM). This Program also licenses the micro-component patent portfolio, which comprises patents applicable to Digital Signal Processors (DSPs), Reduced Instruction Set Computer (RISC) processors, microprocessors, microcontrollers, Application Specific Integrated Circuits (ASICs), Application Specific Standard Products (ASSPs), Field Programmable Gate Arrays (FPGAs), and other semiconductor memory and processing technologies.

The Communications Licensing Program focuses on licensing the Company's IEEE 802.11 and 802.16 standards-based wireless portfolio, and on licensing its communications patent portfolio. The communications patent portfolio is applicable to technologies including Power over Ethernet (PoE), Voice over Internet Protocol (VoIP), IP Private Branch Exchanges (IP-PBX), wireless access points (WAP), IP Digital Subscriber Line Access Multiplexers (IP-DSLAM), cable modems, and Asynchronous DSL (ADSL) modems.

The Company commenced fiscal 2011 with 42 full-time and regular part-time staff and finished the fiscal year with 51 employees.

The Company has operations in Plano, Texas, United States of America and in Ottawa, Ontario, Canada. The Company is headquartered in Ottawa.

Strategy

MOSAID intends to drive revenue growth, earnings growth and shareholder value by pursuing the following strategies:

1. Renew existing licensing agreements associated with its memory patent portfolio.
2. Continue to license its microcomponents, wireless and communications patent portfolios.
3. Assess or 'mine' the existing patent portfolios for additional licensing and other monetization opportunities, including the occasional sale of patents.
4. Acquire additional patent portfolios that address new segments of the semiconductor and communications markets, or that increase the strength and breadth of existing portfolios.

5. Conduct world-class R&D activities and encourage market adoption of key technologies by funding modest R&D activity in both semiconductor and wireless technologies, by participating in standards-setting bodies, when appropriate, and by strategically partnering with third parties to facilitate time-to-market advantages.
6. Return value to shareholders through a balance of reinvestment in the business, dividends, share repurchases, or other appropriate methods.

The Company's ability to drive revenue growth by renewing existing patent licensing agreements and entering into new agreements depends, to a great extent, on its ability to continually strengthen and broaden its portfolio of patent assets. MOSAID is strengthening its patent portfolio through a three-part strategy:

- Developing and filing patent applications on internally developed technology in order to yield new patents;
- Selectively acquiring new patents in technology areas that supplement or complement the Company's current focus on semiconductor and telecommunications technologies; and
- Entering into new licensing alliances, or expanding existing alliances, to further extend the technological and geographic reach of its licensing programs.

MOSAID's strategy includes continuing to mine its portfolio to identify additional patent families that are being used in targeted market segments. MOSAID's ability to uncover additional market adoption of its patented inventions, using patent and infringement analytical techniques, sets the Company apart from many other licensing organizations. Based on this mining activity, MOSAID expects to identify new key patent families in the future. As well, as part of this patent mining activity, it is MOSAID's intention to identify non-core patents that it may sell or exchange for other patent holdings that better fit the Company's licensing plans.

A significant element of MOSAID's strategy to enforce its intellectual property rights is engaging in litigation, if required. While it has always been the Company's preference to enforce its intellectual property rights with amicable negotiations instead of litigation, the Company has seen an increasing trend towards the latter. Further, the Company has seen a trend for patent infringement plaintiffs to use jurisdictions other than district courts if the action is initiated within the United States.

Key Performance Drivers

Markets

The Company's licensing performance is driven by its ability to license intellectual property into the following primary markets:

Semiconductor:

- DRAM
- NAND Flash
- Microcomponents

In CY2010, the DRAM market reached US\$39 billion, surging 72% from the weakness of the prior year and 15% over the previous record revenue of \$34 billion in 2006. Industry analysts are expecting the market to contract slightly in CY2011 with year-over-year change in the -13% range. Sales in CY2012 are expected to be quite strong, growing over CY2011 without returning to CY2010

levels. Another down cycle is expected to begin in CY2013. The NAND Flash market, a \$20 billion market in CY2010, is expected to experience growth throughout the five year time horizon of CY2011-CY2015, at a compound annual growth rate (CAGR) of approximately 12%. Sales in the microcomponent market increased by 28% in CY2010 to approximately US\$56 billion. Growth in the market is expected to slow in CY2011, with 7% growth, and to maintain a 6% CAGR through 2015.

Communications:

- Wireless applications including handsets, smart phones, mobile PCs, wireless routers and access points, as well as various other consumer products utilizing Wi-Fi technology
- Communications applications including Power over Ethernet, enterprise telephony equipment and Voice over IP

Wi-Fi enabled handset units, as a percentage of mobile device sales, continues to grow, particularly in the smart phone segment. Currently, 20% - 30% of all phones are estimated to be Wi-Fi enabled, with rates much higher for smartphones; it is expected that 100% of smartphones will be Wi-Fi enabled by CY2013. One independent analyst forecasts smart phone unit growth of 58% in CY2011, with a five year CAGR of 30% (CY2010-CY2015). In CY2011, smart phones are projected to comprise approximately 26% of total mobile handset sales and are expected to increase to over 45% by CY2015.

Sales of mobile PCs, essentially 100% of which are Wi-Fi enabled, reached nearly US\$138 billion in CY2010 and are expected to increase by almost 9% in CY2011, with growth in the 10% - 15% range through 2015. The desktop and mobile PC segments are dominated by relatively few players, with the top five vendors comprising almost 60% market share.

An increasing number of consumer products, from established products such as cameras and printers, to new products such as e-Readers and media tablets, are Wi-Fi enabled. The percentage of devices that are Wi-Fi enabled varies from as low as 5% for cameras to 100% for media tablets. Sales of media tablets are expected to grow from US\$10 billion in 2010 to US\$33 billion in 2011, and US\$118 billion in 2015, a CAGR of 65%.

Sales of enterprise Ethernet switches are forecasted to remain essentially flat through 2015. However, sales of Power over Ethernet switches, as a percentage of total Ethernet switches, are expected to grow continually over the same period.

Each of the markets mentioned above are important to the Company as it believes that many of the market participants require a license to the Company's patented intellectual property.

During the year, there has been some consolidation in the markets addressed by the Company. One of the Company's running royalty licensees, Powerchip Corporation (Powerchip) has plans to phase out supply of its own DRAM commodity semiconductors during CY2011 and dedicate 100% of its capacity to Elpida Memory Inc. As well, recently, Qualcomm Incorporated completed its acquisition of Atheros Communications Inc.

Financial Condition

Financial strength, measured in terms of a maintaining a solid balance sheet with strong cash reserves, is a critical element in MOSAID's ability to execute on its strategy of signing patent

licensing agreements while simultaneously strengthening its patent portfolio through patent acquisitions, entering into patent alliances, generating patents on internally developed technology, and engaging in litigation when required.

Financial strength is important when MOSAID engages in litigation in order to enforce its IP rights. Litigation costs are often significant. The Company believes that maintaining a substantial cash reserve is an important factor in convincing companies to enter into agreements and avoid protracted litigation. As well, financial strength is important to allow the Company to react quickly to acquisition opportunities and to be able to structure an acquisition in a potentially favorable financial manner.

Professional and Systematic Approach to Patent Licensing

In the patent licensing area, a professional and systematic approach based on a solid understanding of patent law, technology and markets, close attention to patent administration, careful management of reverse engineering subcontractors, detailed infringement assessment and monitoring, industry standard licensing practices, and a full commitment to litigate when necessary, have produced strong results and established the reputation of MOSAID's licensing programs. MOSAID will continue this approach as the Company expands into new market segments.

Advances in Technology

MOSAID has an excellent track record in developing innovative technology. The Company's patent portfolio reflects this ability to anticipate technology challenges and create solutions that become widely adopted. By maintaining an in-house R&D organization, MOSAID retains a competitive technological edge over other licensing organizations, while continuing to contribute new technology to the industries in which it operates.

Patent Acquisitions and Strategic Alliances

The acquisition of patents and patent portfolios to both strengthen existing portfolios and to address additional markets is a key driver to the Company's medium and long-term success. Identification of available markets and identification, evaluation and monetization of portfolios relevant to the identified markets are all key steps for driving future performance.

The ability to form alliances or other arrangements with third parties will be an increasingly important performance driver for the Company's licensing success over the long term. Based on MOSAID's licensing success, third parties are increasingly interested in entering into licensing alliances with the Company. In these arrangements, MOSAID licenses third party IP either separately or together with its own portfolio, and shares the royalty revenues with the third party. Through this licensing model, the Company gains cost-effective access to a wider variety of patent assets, thereby strengthening, diversifying and customizing its patent portfolio according to those technologies that are most relevant to its licensing roadmap.

The Company has entered into several of these arrangements and anticipates entering into additional alliances and other similar arrangements in future fiscal years. The Company's micro-components licensing activity is largely based on this patent alliance model.

Capability to Deliver Results

MOSAID believes it is well positioned to deliver continued strong financial performance due to its strong and growing patent portfolio, professional and systematic approach to licensing IP, management team, track record of granting patent licenses, and solid financial position.

Strength of Patent Portfolio and Ability to Derive Value from Patents

As a result of patent acquisitions, licensing partnerships and internal technology development, the Company's patent portfolio has continued to grow in numbers, technological diversity and breadth of geographic coverage. As of April 30, 2011, MOSAID held title to 2,822 patents, issued or pending, compared with 2,001 at the end of fiscal 2010, an increase of 41% and more than triple the size of the portfolio of three years ago. While these additions are important to strengthen existing portfolios, the Company continues to strengthen its technical and financial means to identify, evaluate and acquire portfolios that will address new markets. The geographic and technological diversity of the portfolio helps to ensure that the Company will continue to be able to grant world-wide portfolio licenses into a variety of markets.

During fiscal 2011, the Company entered into eight patent licensing arrangements, and since 1999, the Company has entered into 50 license agreements. As forecast at the start of the fiscal 2011, during the year, the Company renewed its licensing arrangement with Nanya Technology Corp. (Nanya) and with Hynix Semiconductor Inc. (Hynix), the world's second largest DRAM manufacturer and a significant Flash memory manufacturer. As well, during fiscal 2011, the Company signed its first Wi-Fi semiconductor manufacturer, marking a departure from signing the original equipment manufacturers. At April 30, 2011, the Company had signed sixteen wireless licensing deals in four Wi-Fi enabled product markets: handsets, notebook and netbook computers, wireless infrastructure and gaming equipment. The Company has four patent portfolios that generate revenues.

Systematic Approach to Patent Licensing

The Company's approach to patent licensing is systematic. To convince companies to take a license, it is necessary to provide compelling evidence of infringement of a significant number of diverse patents. A company will consider taking a license typically if the infringement case is clear, the market exposure is sufficiently large to represent a significant risk should they continue using unlicensed patented technology, and if the licensing terms and conditions are fair and reasonable. Accordingly, MOSAID approaches potential licensees with multiple patent assertions while offering reasonable and competitive licensing terms and conditions. If licensing discussions are stalled or abandoned, MOSAID may pursue the protection of its IP through litigation. Without the willingness and capability to enforce patent rights through the courts, a licensing program cannot gain respect and credibility. MOSAID understands this dynamic and is prepared to use the court system to protect its IP rights.

Patent Administration

MOSAID's licensing success also depends on a strong record of patent administration, i.e. the process of filing and obtaining patents from official patent offices around the world. The Company dedicates significant effort to ensuring that filed patent applications reflect the high quality standards needed when proactively licensing such patented technology. MOSAID maintains a carefully balanced mix of internal and external patent administration resources to optimize patent quality and costs.

Workforce and Management

MOSAID's workforce carries the proud tradition of 36 years of professional excellence and technological innovation. Inventiveness and market insight have made a potent combination, whether it is in sophisticated technology development or patent licensing. MOSAID employs individuals with unique skill sets and a proven ability to conclude patent license agreements. This is important, since strong patents are only part of what is needed to derive substantial revenues from a patent portfolio. Having expertise in the relevant markets, in patent portfolio development, and in patent licensing and litigation are as critical as having good patents. MOSAID's reputation and expertise, together with its proven ability to negotiate licensing agreements and litigate, if necessary, all contribute significantly to MOSAID's ability to deliver patent licensing results.

Licensing Reputation

MOSAID is known for developing and licensing innovative semiconductor memory and telecommunications technology. The Company's reputation as a major licensing organization has been secured by signing patent licensing agreements covering virtually all of the commodity DRAM manufacturers and by expanding into other markets. MOSAID has also developed a reputation for being fair and reasonable with companies showing a genuine interest in taking a license, while vigorously defending its patent rights through litigation, if necessary. The Company will continue to conduct its licensing activities guided by these principles.

Financial Strength

A strong financial position is an important underpinning for MOSAID's success.

Currently, the Company has a multi-year backlog of revenues, in the hundreds of millions of dollars, primarily as a result of signing fixed payment term licenses with Hynix, a major Wi-Fi manufacturer, and IBM Corporation (IBM) in fiscal 2011, Samsung Electronics Co. Ltd. (Samsung) in fiscal 2010, Micron Technology Inc. (Micron) in fiscal 2009, and Nokia Corporation (Nokia) in fiscal 2009.

The agreements with Hynix, IBM, Samsung and Micron are fixed payment agreements; the agreement with the Wi-Fi manufacturer contains a series of fixed payments for a number of quarters and running royalties throughout the term of the agreement commencing with the Company's third quarter of fiscal 2011. The arrangement with Nokia was for an undisclosed structure and term. All of the above companies appear financially capable of meeting their commitments to the Company.

While the Company has incurred long-term liabilities to finance certain patent acquisitions, it has attempted, to some extent, to match the payment period with the benefit period of the purchased asset and thereby minimize the impact to working capital. Notwithstanding these liabilities, the Company continues to enjoy a very strong financial position.

During fiscal 2011, the Company returned to shareholders approximately \$11.8 million via dividends. As well, during the year, the Company established a Dividend Re-investment Program (DRIP) which allows eligible investors to automatically reinvest their dividends into common shares of the Company.

Results & Outlook

Overall Performance

The principal elements of the Company's financial performance for fiscal 2011 are noted below. The table shows the structure of the Consolidated Statements of Income for fiscal 2011 and fiscal 2010.

Business Structure (Dollar amounts in thousands)				
Year ended	April 30, 2011		April 30, 2010	
	\$	%	\$	%
Revenues	\$80,537	100	\$71,110	100
Expenses				
Patent portfolio management	9,570	12	7,485	11
Patent licensing and litigation	13,082	16	9,239	13
Research and development	2,974	4	2,853	4
General and administration	5,798	7	5,978	8
Foreign exchange (gain)	(1,450)	(2)	(4,550)	(6)
Stock-based compensation	1,989	3	1,189	2
Special committee	-	-	719	1
Patent amortization and imputed interest	16,457	20	15,215	21
	48,420	60	38,128	54
Income from operations	32,117	40	32,982	46
Investment income	1,345	2	439	1
Income before income tax expense and discontinued operations	33,462	42	33,421	47
Income tax expense	8,679	11	12,448	17
Income before discontinued operations	24,783	31	20,973	30
Discontinued operations (net of tax)	247	-	777	1
Net income	\$25,030	31	\$21,750	31

On a pro forma basis, the results of operations were as follows:

(Dollar amounts in thousands)				
Year ended	April 30, 2011		April 30, 2010	
	\$	%	\$	%
Revenues	\$80,537	100	\$71,110	100
Expenses				
Patent portfolio management	9,570	12	7,485	11
Patent licensing and litigation	13,082	16	9,239	13
Research and development	2,974	4	2,853	4
General and administration	5,798	7	5,978	8
Foreign exchange loss	1,017	1	423	1
	32,441	40	25,978	37
Pro forma income from operations	48,096	60	45,132	63
Investment income	1,345	2	439	1
Pro forma income before income tax	49,441	62	45,571	64
Income tax expense	14,832	18	15,040	21
Pro forma net income	\$34,609	44	\$30,531	43

Pro forma net income is reconciled to GAAP net income as follows:

(Dollar amounts in thousands)		
Year ended	April 30, 2011	April 30, 2010
	\$	\$
GAAP net income	\$25,030	\$21,750
Add (deduct):		
Stock-based compensation	1,989	1,189
Patent amortization and imputed interest	16,457	15,215
Foreign exchange (gain)	(2,467)	(4,972)
Special committee	-	719
Income tax expense for above items	(5,953)	(4,437)
Future income tax revaluation	(200)	1,844
Discontinued operations (net of tax)	(247)	(777)
Pro forma net income	\$34,609	\$30,531

Pro forma foreign exchange loss is reconciled to GAAP foreign exchange (gain) as follows:

(Dollar amounts in thousands)		
Year ended	April 30, 2011	April 30, 2010
	\$	\$
GAAP Foreign exchange (gain)	\$ (1,450)	\$ (4,550)
Less: foreign exchange (gain) on long-term debt	(2,467)	(4,972)
Pro forma foreign exchange loss	\$ 1,017	\$ 423

- Revenues were \$80.5 million in fiscal 2011, compared to \$71.1 million in fiscal 2010.
- GAAP income before discontinued operations was \$24.8 million for fiscal 2011, compared to \$21.0 million for fiscal 2010.
- GAAP income from operations was \$32.1 million for fiscal 2011, compared to \$33.0 million for the prior year.
- Discontinued operations, net of tax, produced a profit of \$247,000 for fiscal 2011, compared to \$777,000 for fiscal 2010.
- GAAP net income was \$25.0 million or \$2.09 per diluted share for fiscal 2011, compared to \$21.8 million or \$2.04 per diluted share for the prior year.
- Pro forma income from operations was \$48.1 million, compared to \$45.1 million for the prior year.
- Pro forma net income was \$34.6 million or \$2.89 per diluted share in fiscal 2011, compared to \$30.5 million or \$2.87 per diluted share for fiscal 2010.
- Cash, cash equivalents and marketable securities increased to \$114.8 million at April 30, 2011 from \$100.8 million at April 30, 2010.

Continuing Operations Overview

Fiscal 2011 annual revenues of \$80.5 million set a new record as the highest level of patent licensing revenues in the Company's history, and since the licensing program began in fiscal 1999, the Company has recorded and collected more than \$480 million in patent licensing revenues. The Company has been profitable for seven consecutive years and has maintained an uninterrupted record of quarterly dividends since the program was started six years ago.

During the year, the Company signed five agreements under its Semiconductor program, including memory portfolio related agreements with Nanya, Hynix and IBM, and microcomponents portfolio related agreements with LG Electronics Inc. and MediaTek Inc. Each of the agreements with Nanya and Hynix were completed without any break in coverage with the licensee and made the Company five-for-five in terms of renewing expiring licenses on-time and at substantially the same or better terms and conditions as the expiring license. In addition, the Company signed three licenses under its Communications program, two related to the wireless portfolio, including one with a major Wi-Fi chip vendor, and one related to the communications portfolio.

The Company acted on its patent acquisition strategy by acquiring:

- more than 200 optical communications patents and applications from PGT-Photonics S.p.A. of Italy;
- patents related to sensor networks;
- patents related to Hierarchical Storage Management computing systems and Power Management Systems;
- wireless communications patents and applications related to handsets.

As well, the Company entered into a binding Memorandum of Understanding whereby the Company committed to acquire several hundred patents and applications, relating primarily to semiconductor general manufacturing and memory technologies, from Hynix. The transaction will be recognized in fiscal 2012 once selection of the patents is finalized.

During the year, MOSAID conducted targeted research and development activities and filed ninety patent applications relating to Flash memory technology, including patent applications related to the Company's HyperLink NAND (HLNAND™) Flash technology. As a proof of concept, during the year, the Company introduced a Solid State Drive (SSD) that uses HLNAND Flash memory and that demonstrates sustained per-channel input/output bandwidths an order of magnitude higher than SSDs based on conventional NAND Flash interfaces. Also, the Company announced the technical specifications for the Company's HLNAND2 Flash memory technology. At the end of fiscal 2011, the Company had over 498 patents and applications related to its internally developed Flash memory technology, of which 53 had been issued as patents by the United States Patent and Trademark Office.

During the fiscal year and subsequent to fiscal year-end, the Company initiated several patent infringement litigations and settled its litigation against IBM (see Litigation section for further details)

Key FY2011 Business Objectives

- Revenues of \$78 million - \$80 million
- 7th consecutive year of profitability
- Re-license Nanya and Hynix
- Sign a number of new agreements related to our wireless patent portfolio
- Sign several new agreements related to our microcomponents patent portfolio
- Sign a licensing arrangement later in the year related to our PoE patent portfolio
- Use a substantial portion of the bought deal funds to acquire patent portfolios

Key FY2011 Results

- Record annual patent licensing revenues of \$80.5 million, an increase of 13% year-over-year
- Record pro forma net income results and our 7th consecutive year of profitability
- Re-licensed Nanya and Hynix, on time, in a manner that "... stabilizes the Company's current stream of revenues."
- Licensed a major Wi-Fi semiconductor vendor
- Strengthened the Company's semiconductor patent portfolio by acquiring a significant number of patents from Samsung
- Filed ninety more patent applications related to the Company's R&D activities in the non-volatile NAND Flash memory area
- Returned \$11.8 million directly to shareholders via dividends

Litigations

On June 10, 2010, the Company initiated litigation against LSI Corporation and Agere Systems, Inc. (collectively, "Agere") for breach of contract in the Delaware Court. In its complaint, MOSAID claims that Agere is in breach of certain express warranty and contract provisions of the patent purchase agreement pursuant to which MOSAID acquired a portfolio of wireless patents from Agere in February 2007. These breaches relate specifically to written representations made by Agere in the agreement about two system-level vendors, including one of the fourteen already licensed by the Company. While this dispute is before the courts, the Company expects to continue, in the months ahead, negotiating and closing licensing arrangements under its wireless program.

On December 16, 2010, the Company announced that it had resolved its patent litigation suit against IBM and that IBM had entered into a five-year license agreement to certain of the Company's patents and that IBM would make a series of fixed payments to the Company during the term of the agreement.

On March 17, 2011, the Company announced that it has initiated wireless patent infringement litigation against the following companies: AsusTek Computer Inc.; Atheros Communications, Inc.; Canon U.S.A., Inc.; CSR plc; Dell, Inc.; Digi International Inc.; Huawei Technologies Co., Ltd.; Intel Corporation; Lexmark International, Inc.; Marvell Semiconductor, Inc.; Murata Manufacturing Co., Ltd.; Ralink Technology Corporation; Realtek Semiconductor; Research In Motion Corporation; Wasp Barcode Technologies, Ltd.; Wistron Corporation; and Venture Research, Inc. The suit was filed on March 16, 2011 in the United States District Court for the Eastern District of Texas, Marshall Division. MOSAID believes that the companies have infringed and continue to infringe MOSAID's patents by making and selling products that comply with or implement the IEEE 802.11 family of communications standards, known as Wi-Fi.

On April 7, 2011, the Company announced that it has initiated patent infringement litigation against NVIDIA Corporation, Freescale Semiconductor, Inc. and Interphase Corporation. The suit was filed on April 7, 2011 in the United States District Court for the Eastern District of Texas, Tyler Division. In its complaint, MOSAID asserts that NVIDIA, Freescale and Interphase have infringed, and continue to infringe certain patents related primarily to power management techniques, and microprocessor architecture.

On May 10, 2011, the Company announced that it has commenced patent infringement litigation against Elpida Memory, Inc. of Japan. Two other companies, Buffalo Inc. and Axiontech, are also named as defendants in the suit, which was filed on May 10, 2011, in the United States District Court for the Eastern District of Texas, Tyler Division. MOSAID asserts that Elpida, Buffalo, and Axiontech have infringed and are infringing six of its semiconductor memory patents by making, using, importing, offering for sale and/or selling Dynamic Random Access Memory (DRAM) and/or other products containing DRAM, in the United States.

On May 18, 2011, the Company initiated legal action against Cisco Systems, Inc., by filing a complaint for patent infringement with the United States International Trade Commission (ITC) in Washington, D.C. MOSAID's complaint asserts that six of MOSAID's patents are infringed by certain Cisco products, including Power over Ethernet (PoE) switches and routers, Digital Subscriber Line (DSL) wireless access points, cable modem wireless access points, PoE Internet Protocol (IP) phones, and cable modems with Voice over IP (VoIP). MOSAID is requesting that the ITC halt the unlawful importation and sale of these and certain other Cisco products in the United States. On July 16, 2011, the ITC announced that it has instituted an investigation of the accused Cisco products under section 337 of the Tariff Act.

For more details on the events of MOSAID's active and previous litigations, please see MOSAID's website at www.mosaid.com

Financial Position

Working capital of the Company increased to \$114.8 million at the end of fiscal 2011 from \$97.8 million at the end of fiscal 2010. The working capital ratio increased to 6.1 at the end of fiscal 2011 from 5.5 at the end of fiscal 2010.

Cash, cash equivalents and marketable securities increased to \$114.8 million at the end of fiscal 2011, as compared to \$100.8 million at the end of fiscal 2010.

During fiscal 2011, accounts receivable increased by \$8.4 million from \$4.9 million at the end of fiscal 2010 to \$13.3 million at the end of fiscal 2011. Accounts receivable consists primarily of payments on patent licensing agreements. Due to the nature of the Company's business, accounts receivable can vary significantly from year to year.

Future income taxes, short-term and long-term and investment tax credits receivable decreased by \$2.4 million to \$18.1 million at the end of fiscal 2011 from \$20.5 million at the end of fiscal 2010. The decrease reflects the net effect of incremental additions to the tax asset, by way of withholding taxes and investment tax credits, offset by income tax expense and a revaluation of the asset due to substantially enacted decreased future income tax rates. On an ongoing basis, management applies the "more likely than not" criterion to determine the appropriate valuation of the asset. The process requires management to estimate future profitability, the future income taxes payable associated with that estimate of future profitability, and to assess how much, if any, of the existing income tax assets available to the Company are more likely than not to be utilized to offset the estimated future income taxes payable. As of April 30, 2011, the Company had recorded virtually all of such potential assets available to the Company in Canada, and none of the potential assets related to other taxation jurisdictions.

The net book value of acquired intangible assets decreased by \$9.4 million during fiscal 2011. Additions totaled \$4.2 million, while amortization totaled \$13.6 million.

Accounts payable and accrued liabilities increased by \$4.8 million during fiscal 2011 to \$12.5 million at the end of fiscal 2011 from \$7.7 million at the end of fiscal 2010.

The other long-term liabilities, both the current portion and long-term portion, represent the future cash flow obligations, adjusted for the time value of money, related to the purchase of patents or exclusive licensing rights by the Company. During fiscal 2011, the other long-term liabilities balance decreased by \$4.6 million to \$36.8 million at the end of fiscal 2011 from \$41.4 million at the end of fiscal 2010. Imputed interest of \$2.9 million were offset by a \$2.5 million unrealized foreign exchange gain due to the depreciation of the U.S. dollar and payments to creditors of \$5.0 million to reduce the liability.

Shareholders' equity increased by \$15.1 million during fiscal 2011 to \$169.4 million at the end of fiscal 2011 from \$154.3 million at the beginning of the year. Additions to shareholders' equity were net income of \$25.0 million, stock based compensation costs of \$2.0 million, exercise proceeds from the Employee and Director Stock Option Plan and the Employee and Director Stock Purchase Plan in the amount of \$2.3 million and dividend reinvestment plan of \$332,000. Additions were more than offset by dividends of \$11.8 million, payments related funding of Restricted Stock Units in the amount of \$2.1 million and unrealized derivative gains on cash flow hedges of \$766,000.

Annual Results

Revenues

Revenues were \$80.5 million in fiscal 2011, compared to \$71.1 million in fiscal 2010. Revenues are derived entirely from patent monetization activities. Results of discontinued operations, including their revenues and expenses, are discussed below in this MD&A. The increase in the Company's revenues, the majority of which are in U.S. dollars, is due primarily to the signing of several new patent licensing agreements.

During Q4 fiscal 2011, the Company re-licensed Hynix to a lives-of-patents license under certain patents and applications, and a six-year term license under certain other patents and applications, for semiconductor integrated circuit products sold by Hynix. For the license, Hynix will make a series of fixed payments during the term.

The Company has no material contracts expiring in the next 12 months.

A significant percentage of the Company's revenues are derived from relatively few licensees. In fiscal 2011, four of the Company's licensees each amounted to more than 10% of consolidated revenues. Revenues from one licensee amounted to 28%; revenues from other licensees were 18%, 14% and 10% respectively. In fiscal 2010, revenue from three of the Company's licensees each amounted to more than 10% of consolidated revenues. Revenues from one licensee were 35%; revenues from other licensees were 23%, and 12% respectively.

The approximate mix of revenues between the Semiconductor Licensing Program and the Communications Licensing Program was 66% and 34%, respectively (2010 – 80% and 20%, respectively).

The geographic distribution of fiscal 2011 revenues is shown in the exhibit below. Revenue from Asia Pacific was 64% of revenues, while revenue from North America and Europe were 31% and 5% respectively. During fiscal 2012, the Company expects a similar pattern among the geographic regions.

The approximate geographic breakdown of revenues is as follows:

Year ended	April 30, 2011	April 30, 2010
Asia Pacific	64%	74%
Europe	5%	14%
North America	31%	12%

The average remaining life of the Company's license contracts is 4.2 years as at April 30, 2011. It should be noted that the average is not weighted and may not be reflective of the actual remaining life and value of all contracts.

Revenue is comprised as follows:

Year ended	April 30, 2011	April 30, 2010
Revenue from fixed payments	81%	90%
Revenue from running royalty agreements	19%	10%
Total	100%	100%

The Company derives revenues primarily using two financial models: a multi-year fixed term renewable licensing arrangement with fixed payment dates and amounts; and a fixed-term renewable running royalty arrangement, whereby the Company derives revenues based upon sales by the licensee.

Expenses

Patent portfolio management (Dollar amounts in thousands)		
Year ended	April 30, 2011	April 30, 2010
Patent portfolio management	\$9,570	\$7,485
As a percentage of total revenues	12%	11%
Increase from the same period last year	28%	

Patent portfolio management expense represents the cost of patent administration, including filing and maintaining patents and patent applications worldwide, identifying and assessing potential patents for acquisition and assessment of alliance opportunities with third party patent holders.

The increase in expenses in absolute terms and as a percentage of revenues, as compared to the same period last year, is due to increased patent administration costs, as a result of a higher number of patents and patent applications, and increased patent acquisition costs, due to a higher priority being placed on patent acquisition activities.

At the end of fiscal 2011, the Company had 1,752 patents (2010 – 1,127), the average remaining life of which is approximately 9.4 years (2010 – 9.5). In addition, the Company, at the end of fiscal 2011, had 1,070 patent applications (2010 – 874).

The current portfolio of patents and patent applications includes a total of 894 patents and applications acquired or newly filed during fiscal 2011 and 73 patents and applications that have been either abandoned, expired or sold during the year.

Patent licensing and litigation

(Dollar amounts in thousands)

Year ended	April 30, 2011	April 30, 2010
Patent licensing and litigation	\$13,082	\$9,239
As a percentage of total revenues	16%	13%
Increase from the same period last year	42%	

Patent licensing and litigation expense represents the cost of managing and conducting litigation actions, infringement analysis-based reverse engineering costs undertaken by or on behalf of the Company to support licensing activities, revenue sharing costs associated with patent portfolios or patent rights acquired by the Company, and the cost of conducting licensing negotiations.

The increase in patent licensing and litigation expense in both absolute dollar terms and as a percentage of revenue for fiscal 2011, as compared to the prior year, is due primarily to increased litigation costs as a result of the increased number of litigations filed.

Research and development (R&D)

(Dollar amounts in thousands)

Year ended	April 30, 2011	April 30, 2010
Research and development	\$2,974	\$2,853
As a percentage of total revenues	4%	4%
Increase from the same period last year	4%	

R&D expense represents the cost, net of investment tax credits, of developing and promoting new technology or improving existing technology related to the business of the Company.

R&D in absolute dollar terms increased in fiscal 2011, compared to fiscal 2010 due primarily to the timing of subcontract expenses related to the development of its Flash memory technology. As expected, the absolute dollar figure for fiscal 2011 was in the range of \$3 million.

General and administration (G&A)

(Dollar amounts in thousands)

Year ended	April 30, 2011	April 30, 2010
General and administration	\$5,798	\$5,978
As a percentage of total revenues	7%	8%
Decrease from the same period last year	(3%)	

G&A expense represents the cost of corporate services, including executive management, finance, corporate legal, human resources, office administration, communications, public company cost and information technology.

The decrease in G&A expense in absolute dollars and as a percentage of revenue for fiscal 2011 as compared to the same period in the prior year, is due primarily to decrease in capital tax costs, as this form of tax was eliminated on July 1, 2010.

Foreign exchange (gain) (FX)

(Dollar amounts in thousands)

Year ended	April 30, 2011	April 30, 2010
Foreign exchange (gain)	\$(1,450)	\$(4,550)
As a percentage of total revenues	(2%)	(6%)
Change from the same period last year	nm	

FX expense represents the cost, realized and unrealized, of unhedged transactions denominated in currencies other than the Company's reporting currency.

The FX gain of \$1.5 million during fiscal 2011 and gain of \$4.6 million during fiscal 2010 were due primarily to the unrealized revaluation of the Company's U.S. dollar denominated other long-term liabilities related to acquired patents and exclusive licensing rights. Without this revaluation, the Company incurred an FX loss of \$1,017,000 or 1% of revenues for fiscal 2011, as compared to a loss of \$423,000 or 1% of revenues for the same period in the prior year.

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar, would have decreased (increased) other comprehensive income by approximately \$48,000 for fiscal 2011; pro forma income would have increased (decreased) by approximately \$231,000.

Stock-based compensation (Dollar amounts in thousands)		
Year ended	April 30, 2011	April 30, 2010
Stock-based compensation	\$1,989	\$1,189
As a percentage of total revenues	3%	2%
Increase from the same period last year	67%	

The Company's stock-based compensation plans include the Employee & Director Stock Option Plan (ESOP), Employee Stock Purchase Plan (ESPP) and the Restricted Share Unit Plan (RSUs). Stock-based compensation expense represents the expenses associated with these plans.

The increase in stock-based compensation expense for fiscal 2011, as compared to fiscal 2010, in absolute dollar terms, is due primarily to the increase in share price and the increase in the number of options and RSUs.

During fiscal 2011, the Company granted 219,050 options (2010 – 192,900) at a weighted average fair value, calculated using the Black-Scholes option pricing model, of \$6.34 (2010 - \$4.18). The options have a six year life and vest over four years. During fiscal 2011, the number of options forfeited was nil (2010 – 1,875).

During the year, the Company granted 40,392 RSUs (2010 – 93,278) at a weighted average fair value of \$26.50 (2010 - \$18.88). The RSUs vest over three years.

Patent amortization and imputed interest (Dollar amounts in thousands)		
Year ended	April 30, 2011	April 30, 2010
Patent amortization and imputed interest	\$16,457	\$15,215
As a percentage of total revenues	20%	21%
Increase from the same period last year	8%	

Patent amortization and imputed interest expense represents the amortization charge related to acquired patents or patents where the Company has exclusive licensing rights as a result of partnerships or similar business models with third parties, and the cost of imputed interest expense which results from discounting, for the time value of money, liabilities incurred for the purpose of acquiring patents, either outright or through partnership models.

The increase in patent amortization and imputed interest cost for fiscal 2011, as compared to fiscal 2010, in absolute dollar terms, is due primarily to the acquisition of patents during fiscal 2010.

Other Items Affecting Net Income

Investment income increased 206% in fiscal 2011, compared to the prior year, reflecting higher yields.

The Company's effective tax rate on income before discontinued operations was 26%, as compared to 37% for same period in the prior year. The decrease in the effective tax rate is due to the size of the FX gain or loss on other long-term liabilities relative to revenues, and the fact that such FX gain or loss is only 50% deductible or taxable for taxation purposes.

In Canada, the Company has undeducted R&D expenditures totaling \$42.6 million available to reduce taxable income in future years. These undeducted R&D expenditures have no expiry date. Further, the Company has \$16.1 million of investment tax credits (ITCs) available to reduce federal taxes payable in future years. The credits have a remaining life varying between eleven and twenty years. Based upon the Company's current projections, it does not expect that a significant portion, if any, of these tax credits will expire in the near term. The future income tax liability of \$5.6 million relates to tax that will be paid upon using the ITCs, tax payable related to corporate tax harmonization and net timing differences.

During fiscal 2011, discontinued operations, net of tax, contributed \$247,000 to net income, as compared to \$777,000 in the prior year. A detailed breakdown of discontinued operations is contained in Note 13 in the fiscal 2011 Notes to the Consolidated Financial Statements, which accompany this MD&A.

Selected Annual Information

(In thousands of dollars, except per share amounts)

	FY11	FY10	FY09
Revenues	\$ 80,537	\$ 71,110	\$ 62,538
Income before discontinued operations	\$ 24,783	\$ 20,973	\$ 4,816
Net income	\$ 25,030	\$ 21,750	\$ 5,845
Earnings per share			
Basic - before discontinued operations	\$ 2.10	\$ 1.98	\$ 0.47
Diluted - before discontinued operations	\$ 2.07	\$ 1.97	\$ 0.47
Basic - net income	\$ 2.12	\$ 2.06	\$ 0.57
Diluted - net income	\$ 2.09	\$ 2.04	\$ 0.57
Total assets	\$225,131	\$216,079	\$172,459
Total long-term financial liabilities	\$ 26,911	\$ 33,132	\$ 28,799
Cash dividends	\$ 11,495	\$ 10,655	\$ 10,320

Summary of Quarterly Results

(In thousands of dollars, except per share amounts)

	Q411	Q311	Q211	Q111	Q410	Q310	Q210	Q110
Revenues	\$21,876	\$20,211	\$19,962	\$18,488	\$19,886	\$17,688	\$17,313	\$16,223
Earnings before discontinued operations	\$ 5,830	\$ 7,297	\$ 6,514	\$ 5,142	\$ 7,904	\$ 2,028	\$ 4,823	\$ 6,218
Per share	\$ 0.49	\$ 0.61	\$ 0.55	\$ 0.44	\$ 0.69	\$ 0.20	\$ 0.47	\$ 0.61
Per diluted share	\$ 0.48	\$ 0.61	\$ 0.55	\$ 0.43	\$ 0.68	\$ 0.20	\$ 0.47	\$ 0.61
Net earnings (loss)	\$ 5,883	\$ 7,375	\$ 6,564	\$ 5,208	\$ 8,051	\$ 2,224	\$ 5,021	\$ 6,454
Per share	\$ 0.50	\$ 0.62	\$ 0.56	\$ 0.44	\$ 0.70	\$ 0.22	\$ 0.49	\$ 0.63
Per diluted share	\$ 0.49	\$ 0.61	\$ 0.55	\$ 0.44	\$ 0.69	\$ 0.21	\$ 0.49	\$ 0.63

Capital and Liquidity

Cash, cash equivalents and marketable securities increased to \$114.8 million at the end of fiscal 2011 from \$100.8 million at the end of fiscal 2010.

Cash from continuing operations generated \$32.4 million during fiscal 2011, compared to \$46.1 million during the previous year. Before changes in working capital, cash from operations generated \$40.3 million, as compared to \$38.0 million in fiscal 2010.

Cash from financing activities decreased cash balances during fiscal 2011. The Company's dividend payments reduced cash balances during the year. The Company expended approximately \$11.5 million on dividend payments during fiscal 2011, as compared to \$10.7 million in the prior year.

Cash used to purchase capital assets and intangible assets for continuing operations amounted to \$4.4 million in fiscal 2011, as

compared to \$1.1 million in the prior year. Expenditures for patent acquisitions and exclusive patent licensing rights are expected to be higher in fiscal 2012 than in fiscal 2011.

Net cash generated in discontinued operations during fiscal 2011 amounted to \$37,000, as compared to cash used of \$745,000 in fiscal 2010. Net cash from discontinued operations in fiscal 2010 was used primarily for payments required under the sale and lease-back arrangement. No further payments are required in future years.

The Company continues to have a \$10.0 million bank credit facility, less the off balance sheet arrangements discussed below, available to cover fluctuations in cash requirements. The Company had no borrowings against this facility in fiscal 2011 or fiscal 2010. The available operating line within this credit facility is calculated using a formula based on accounts receivable.

Off Balance Sheet Arrangements

At the end of fiscal 2011, the Company had in place an irrevocable standby letter of credit in the amount of \$200,000 related to operations.

Fourth Quarter Fiscal 2011 Results

Revenues increased 10% compared to the fourth quarter of fiscal 2010, primarily due to the timing of licensing agreements. The nature of the Company's business often involves large-dollar contracts to derive revenues, and the pace of negotiations is not solely within the control of the Company. As such, there can be significant variation from quarter to quarter in the amount of revenue recognized by the Company.

Patent portfolio management expenses increased 31%, as compared to the same quarter in the prior year. The increase is due primarily to greater patent filing activity and maintenance costs as a result of the increased size of the patent portfolio.

Patent licensing and litigation expenses increased 124% compared to the same quarter in the prior year. The increase is due primarily to increased litigation and support costs with respect to the new litigations filed in fiscal year 2011.

R&D expenses increased 38% compared to the same quarter in the prior year, due primarily to the timing of expenses, and were in line with management's estimate.

G&A expenses decreased 20%, as compared to the same quarter in the prior year, due primarily to the timing of expenses.

Patent amortization and imputed interest expense is comparable to the same period in the prior year.

Interest income increased 205% as compared to the same period in the prior year due to higher yields.

Tax expense for the fourth quarter of fiscal 2011 was 26% of income before tax and discontinued operations. The effective tax rate, removing non-recurring items, for Q4 fiscal 2010 was 31%.

Cash generated by operations, before the change in working capital, during the quarter amounted to \$8.0 million, as compared to \$12.3 million for the same quarter in the prior year. Non-cash working capital changes decreased cash by \$1.6 million in Q4 fiscal 2011, as compared to \$2.3 million for the same period in the prior year. The change in non-cash working capital items during Q4 2011 was driven primarily by the increase in accounts receivable.

Management believes the Company is sufficiently capitalized to meet its operating cash flow requirements in fiscal 2012.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. As of April 30, 2011, there were 11,900,198 common shares issued and outstanding. As of April 30, 2011, the Company can grant up to 1,171,697 options under the Company's Employee and Director Stock Option Plan, of which 742,992 have been granted and are outstanding.

Financial Instruments

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

Credit Risk

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

The Company provides extended payment terms to some licensees in the normal course of its operations. The Company's credit risk review includes performing periodic credit evaluations of its most significant licensees. In certain circumstances, the Company may utilize letters of guarantee or credit insurance to mitigate certain credit risks. Many of the Company's licensees are large national and international public companies. Due to the nature of the Company's operations, provisions for doubtful accounts are made on a licensee-by-licensee basis, based upon on-going review of licensee financial status.

Many of the Company's current licensees' operations are focused in the semiconductor industry. The semiconductor industry, particularly the DRAM and Flash memory segment, tends to be cyclical and, from time to time, suffers from economic difficulties due to pricing pressure as a result of an oversupply of memory devices.

Due to the long-term nature of many of the Company's licensing arrangements, in certain circumstances, the Company may not be able to obtain, at reasonable cost, credit insurance or other forms of credit risk mitigation instruments. A default of the remaining payments by one of the Company's licensees could have a materially adverse impact on the Company's future revenues, earnings, cash flow and financial position.

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

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

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

Year ended	April 30, 2011	April 30, 2010
Cash and cash equivalents	\$ 97,809	\$ 70,732
Marketable securities	17,021	30,096
Accounts receivable	13,301	4,880
Other asset	1,136	2,053
Other liability	-	(992)
Total	\$129,267	\$106,769

The aging of accounts receivable at the reporting date was:

Year ended	April 30, 2011	April 30, 2010
Current	\$10,661	\$1,367
Past due	2,640	3,513
Total	\$13,301	\$4,880

Of the amount past due, the Company expects to collect the amount under a credit insurance policy.

Marketable securities comprise the following:

Year ended	April 30, 2011	April 30, 2010
Bonds and debentures	\$ 720	\$27,087
Discount notes	16,301	3,009
Total	\$17,021	\$30,096

Carrying values of bonds and debentures and discount notes include accrued interest and approximate market value. Investments in bonds and debentures and discount notes represent holdings in corporate and government short-term marketable securities as at April 30, 2011 and have a maturity date of one year or less.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments.

Foreign Exchange Risk

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

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

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

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

(In thousands of dollars)				April 30, 2011	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value
Sell	\$8,350	USD	< 3 months	\$8,626	\$ 716
Sell	\$5,600	USD	3-12 months	\$5,737	\$ 420
					\$1,136

(In thousands of dollars)				April 30, 2010	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value
Sell	\$12,875	USD	< 3 months	\$13,836	\$ 759
Sell	\$21,225	USD	3-12 months	\$22,890	\$1,294
					\$2,053
Buy	\$(5,000)	USD	3-12 months	\$(6,093)	\$(992)

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar would have decreased (increased) other comprehensive income by approximately \$48,000 for fiscal 2011.

Interest Rate Risk

The Company is exposed to interest rate risk due to its holdings of interest-bearing marketable securities. It is the Company’s policy to invest in securities with a maturity date of 12 months or less and Company practice to hold such securities, when possible, until maturity. A 1% increase (decrease) to the interest rate would result in an approximate \$72,000 decrease (increase) in the fair value of the investments held as at the reporting date.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At April 30, 2011, the Company had \$114.8 million of cash and marketable securities and had a secured bank credit facility of \$10.0 million, less off balance sheet arrangements, as described in Note 18 to the fiscal 2011 Consolidated Financial Statements, to meet liabilities when due. The credit facility is collateralized by a general security agreement and contains no covenants.

All of the Company’s financial liabilities, except for its “other long-term liabilities” and operating lease for its premises, have contractual maturities of less than 30 days.

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

Payments Due By Period (Dollar amounts in thousands)					
Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Operating lease	\$ 1,266	\$ 323	\$ 647	\$ 296	-
Other long-term obligations	44,584	11,383	13,043	20,158	-
Total contractual obligations	\$45,850	\$11,706	\$13,690	\$20,454	-

Fair Value

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

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

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

Critical Accounting Estimates

Revenue Recognition

The Company recognizes revenue from fixed payments associated with long-term license arrangements as payments become due from the licensee. Royalty revenue from long-term license agreements, which is typically based upon sale of product by the licensee, is recognized upon notification of the sale by the licensee. In determining the amount of revenue to be recognized in each period, the Company relies on CICA Handbook Section 3400, Revenue, CICA Emerging Issues Committee Extract EIC-141, Revenue Recognition, and the presumption that the fee is not fixed and determinable when extended payment terms have been granted to the customer.

In certain long-term patent licensing arrangements, the Company has granted price protection to licensees regarding future payments if lower prices are subsequently granted to other licensees for comparable license terms. Determining whether such prices are lower and whether such terms are comparable requires the use of judgment by the Company. In the Company's judgment, to date, no such lower prices under comparable terms have been granted. While the Company endeavors to ensure such circumstances do not occur, there can be no assurance that such circumstances will not occur in the future.

Accounting for Income Taxes

The Company currently operates from a location in Canada, and from a location in United States of America. Given the office in Texas was opened in Q4 fiscal 2011, the Company's current year tax rate, therefore, was determined primarily by Canadian statutory rates. Tax planning strategies are employed which, by their nature, involve complicated transactions. Those transactions are subject to review or audit by taxation authorities, and the ultimate tax outcome bears a measure of uncertainty. As such, the Company must make estimates and judgments based on its knowledge and understanding of local and international tax legislation in determining its worldwide tax provision. It may take a considerable period of time for the ultimate tax outcome to be known. In the past, the Company has made adjustments as a result of these changes in circumstance. These adjustments have been accounted for as changes in estimates, and the effect of these changes have not been significant on the Company's results of operations and financial condition. The Company believes that

its estimates are reasonable; however, it will adjust its estimates as circumstances change. Therefore, the ultimate tax outcome could differ materially from the amounts recorded in the financial statements. These differences could have a material effect on the Company's financial position and net income in the period such determination is made.

The Company recognizes a future income tax asset to the extent that it is more likely than not to be utilized to offset estimated future income taxes payable. The main factors considered in determining the value of the asset include:

- cumulative losses in recent years;
- history of loss carry forwards and other tax assets expiring;
- the carry forward period associated with the future tax assets;
- the nature of the income that can be used to realize the deferred tax assets;
- current period net earning/loss; and
- future earnings potential determined through the use of internal forecasts.

In evaluating the positive and negative evidence, the weight given to each must be proportionate to the extent to which it can be objectively verified. If it is the Company's belief that some portion of this asset will not be realized, that portion is not recorded in the financial statements.

Valuation of Acquired Intangibles

When appropriate, the Company engages an independent professional valuator to assist in the calculation of the fair value of certain intangible assets, primarily patents, at the time of acquisition. Such valuation typically involves judgment related to items, including but not limited to, timing and magnitude of cash flows, market interest rates, comparable licensing rates, and risk premiums. The amortization period for acquired intangible assets is established by management after consideration of factors including legal life remaining for the intangible asset, potential impact of obsolescence, and the expected useful life of the asset.

Impairment of Intangible Assets

Annually, or more frequently when circumstances warrant, the Company assesses its capital and intangibles assets for potential impairment of carrying value. An impairment expense is recorded if the asset's net recoverable amount is less than its carrying value. Such an assessment requires management to make estimates regarding the timing and magnitude of cash flows, interest rates and risk premiums.

Future Accounting Pronouncements

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to start using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

Accordingly, the Company's transition date is May 1, 2010 and the Company will report interim and annual financial statements, with comparatives, in accordance with IFRS beginning with the quarter ending July 31, 2011. The transition date of May 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011, and of the amounts reported on their opening IFRS balance sheet as at May 1, 2010.

The Company has developed a plan to convert its consolidated financial statements to IFRS. Updates regarding the conversion plan are provided to the Corporation's Audit Committee on a quarterly basis.

An update of the other key elements of the changeover plan is as follows:

Key Activities		Status
Infrastructure Financial reporting expertise	Development of IFRS expertise	The Company has provided training for key employees. Additional training for employees and stakeholders will continue as required.
Infrastructure Information technology and data systems	Development of systems solutions for transition period and post-convergence period	The Company has determined that its current information technology and data systems are sufficient to complete the transition to IFRS. The Company has a solution for the "dual-reporting year" issue and has implemented an automated equity tracking and expense system.
Business activities Financial covenants	Identification of impact on financial covenants and business practices	The Company has consulted with its external financial advisors and has determined that the transition to IFRS will have no significant impact on financial covenants and business practices.
Business activities Compensation arrangements	Identification of impact on compensation arrangements	The Company has analyzed its existing compensation plans and has determined that none of its plans will be materially impacted, if at all, by the transition to IFRS.
Control activities Internal control over financial reporting	For all accounting policy changes identified, assessment of Internal Control over Financial Reporting (ICFR) design and effectiveness implications	The Company has analyzed any issues with respect to ICFR. The analysis did not result in any significant changes to ICFR.
Control activities Disclosure controls and procedures	For all accounting policy changes identified, assessment of Disclosure Controls and Procedures (DC&P) design and effectiveness implications	The Company has analyzed any issues with respect to DC&P. The analysis did not result in any significant changes to DC&P.

First time adoption of IFRS

With regard to IFRS transition, the Company has largely completed its analysis on the optional exemptions available under IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). IFRS 1, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRSs. The decisions about the optional exemptions available under IFRS are preliminary and may be subject to change based on changes in circumstances.

The most significant IFRS 1 exemptions that are expected to apply to the Company upon adoption are summarized in the following table:

Optional exemption under IFRS 1	Summary of Exemption Available	Policy Selection
Business Combinations	The Company may elect not to apply IFRS 3 (as amended in 2008) retrospectively to past business combinations prior to the date of transition to IFRS. Such elections have the effect of leaving past business combinations as previously reported.	The Company has elected not to apply IFRS 3 (as amended in 2008) retrospectively to business combinations that occurred before May 1, 2010, the date of transition to IFRS.
Share-based Payment Transactions	<p>The Company may elect not to retrospectively apply IFRS 2. Share-based payments to equity settled transactions where the equity instruments were granted on or before November 7, 2002.</p> <p>Similarly, the Company may elect not to retrospectively apply IFRS 2 Share-based payments ("IFRS 2") to equity settled transactions where the equity instruments were granted after November 7, 2002 and that had vested before the date of transition (May 1, 2010).</p> <p>In addition to the exemption relating to equity instruments, the Company may elect not to retrospectively apply IFRS 2 to liabilities arising to share-based payment transactions (cash settled transactions) that were settled prior to the date of transaction.</p>	<p>The Company will apply IFRS 2 to all equity-settled grants granted after November 7, 2002 and that had not vested before the date of transition (May 1, 2010).</p> <p>The Company will apply IFRS 2 to all cash-settled grants that have not been settled before the date of transition.</p>

Summary of Significant Accounting Policy Changes under IFRS

In the table below, the Company has identified and summarized the following significant differences between its current accounting policies and those required or expected to apply in preparing IFRS financial statements. Further differences may be identified as the Company transitions to IFRS.

Accounting policy	Significant accounting policy changes under IFRS and expected impact
<p>Leases</p>	<p>Under IAS 17 (“IAS 17”), a lease is classified as either a finance lease or an operating lease. Lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee, and is made at inception of the lease. A number of indicators are used to assist in lease classification; however, quantitative thresholds are not offered as an indicator as under current Canadian GAAP.</p> <p>In addition, under IAS 17, immediate gain recognition from the sale and leaseback of an asset depends on whether or not the sale takes place at fair value, and whether the leaseback is classified as an operating lease or a finance lease. Under existing Canadian GAAP, immediate gain recognition from the sale and leaseback of an asset does not occur unless the leaseback is classified as an operating lease and the seller-lessee retains the rights to use only a minor portion of the asset sold.</p> <p>Policy choices: There are no policy choices under IFRS</p> <p>Expected impact to the opening balance sheet: Deferred gain on sale-leaseback is expected to decrease by \$1,039,000 offset by a \$776,000 increase to Retained Earnings and \$263,000 decrease to future income tax asset.</p> <p>Expected impact subsequent to transition: Subsequent to transition, there will be no revenue amortized through discontinued operations given that the deferred revenue balance of \$1,039,000 at the date of transition will be recognized through retained earnings.</p>
<p>Impairment of Long-lived Assets</p>	<p>Under IAS 36 Impairment of Assets (“IAS 36”), impairment testing of assets is based on comparing the carrying amount of the asset or group of assets to their recoverable amount. Recoverable amount is calculated as the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis. In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses.</p> <p>Policy choices: There are no policy choices under IFRS</p> <p>Differences from existing Canadian GAAP: Under Canadian GAAP, recoverable amount is initially based on undiscounted cash flows. If the recoverable amount is less than the carrying value then the asset or asset group is written down to fair value. Impairment losses cannot be reversed under current Canadian GAAP.</p> <p>Expected impact to the opening balance sheet: No impact on the opening balance sheet.</p> <p>Expected impact subsequent to transition: Impairments may be recognized more frequently under IFRS, which may be reversed in certain circumstances in future periods.</p>
<p>Share-based payments</p>	<p>Under IFRS2 Share-based payment (“IFRS2”), obligations must be accounted for using the fair value method.</p> <p>Policy choices: There are no policy choices under IFRS</p> <p>Differences from existing Canadian GAAP: Under IFRS, the obligations for cash-settled plans must be accounted for using the fair value method whereas, under Canadian GAAP, the obligations are accounted for using the intrinsic method.</p> <p>For share option grants with graded vesting, IFRS requires that each installment be treated as a separate grant with a different fair value whereas, under Canadian GAAP, the grant was treated as a single installment. Further, under IFRS, the Company will be required to use an estimate of the forfeiture rate whereas, under Canadian GAAP, the Company records forfeitures as they occur.</p> <p>Expected impact to the opening balance sheet: Future income tax asset is expected to increase by \$298,000, accounts payable and accrued liabilities is expected to increase by \$487,000, contributed surplus is expected to increase by \$701,000 and retained earnings is expected to decrease by \$890,000.</p> <p>Expected impact subsequent to transition: The impact on both existing and new grants, if any, is in the process of being finalized.</p>

Estimated Adjustments to the Consolidated Balance Sheet on Adoption of IFRS

The following table provides the Canadian GAAP Balance Sheet as at May 1, 2010 and the IFRS adjustments as described above to arrive at the opening position under IFRS. Circumstances may arise, including changes in IFRS, regulations or economic conditions, which could change these adjustments. The impacts on the Consolidated Balance Sheet are summarized as follows:

- The current portion of "Future income tax asset" was reclassified to long-term
- A decrease in "Deferred gain on sale and leaseback" of \$1,039,000, offset by an increase to retained earnings
- Increase in "Accounts payable and accrued liabilities" of \$487,000 reflecting adjustment to share-based payments
- Increase in "Contributed surplus" of \$701,000 reflecting adjustments to share-based payments
- Total assets increased by \$35,000 to \$216,114,000
- Total liabilities decreased by \$552,000 to \$61,186,000
- Shareholders' equity increased by \$587,000 to \$154,928,000

Unaudited As at May 1, 2011 (in thousands of Canadian dollars)	Canadian GAAP May 1, 2010	IFRS Reclassifications	Leases (IAS17)	Share-based Payments (IFRS2)	IFRS May 1, 2011
Current Assets					
Cash and cash equivalents	\$ 70,732				\$ 70,732
Marketable securities	30,096				30,096
Accounts receivable	4,880				4,880
Prepaid expenses	698				698
Other asset	2,053				2,053
Future income tax asset	10,930	(10,930)			-
	119,389	(10,930)			108,459
Property and equipment	257				257
Acquired intangible assets	80,685				80,685
Future income tax asset	-	10,930	(263)	298	10,965
Investment tax credits receivable	15,748				15,748
	\$216,079	-	(263)	298	\$216,114
Current Liabilities					
Accounts payable and accrued liabilities	\$ 7,734			487	\$ 8,221
Deferred revenue	4,611		(211)		4,400
Other liability	992				992
Current portion of other long-term liabilities	8,294				8,294
	21,631		(211)	487	21,907
Deferred gain on sale-leaseback	828		(828)		-
Other long-term liabilities	33,132				33,132
Future income tax liability	6,147				6,147
	61,738		(1,039)	487	61,186
Shareholders' Equity					
Share capital	126,573				126,573
Contributed surplus	3,452			701	4,153
Retained earnings	22,702		776	(890)	22,588
Accumulated other comprehensive income	1,614				1,614
	154,341		776	(189)	154,928
	\$216,079		(263)	298	\$216,114

Risk Factors

The following list of risk factors may not be exhaustive, as the Company operates in a rapidly changing environment and new risk factors emerge from time to time. The Company cannot predict such risk factors, nor can the Company assess the impact, if any, of such risk factors or any combinations thereof on any or all of the Company's business, financial position, operating results or cash flows. The Company does not, nor should shareholders, rely on forward-looking statements as a prediction of actual results. If any of the following risks occur, the Company's business, financial position, operating results or cash flows could be materially adversely affected. In such an event, the market price of the Company's common stock could decline and you could lose all or part of your investment.

Risks related to MOSAID's business

Business model risk. The Company derives all of its revenues from the monetization of patents and patent applications, primarily through licensing. The generation of licensing revenues is dependent on reaching acceptable agreements with the parties with whom MOSAID is in negotiations. The licensing cycle can be lengthy, costly and there can be no assurance that MOSAID will be able to come to agreement with these parties.

The Company's business involves large-dollar, complex arrangements to derive revenues and the pace of the negotiations is not solely within the Company's control. Delays in signing new large-dollar arrangements could cause a material difference between any specific quarter's financial results and the guidance, if any, provided by management for that same quarter and any other quarter's results.

As well, the Company's business involves, from time to time, the use of litigation and other procedures, which is becoming more prevalent in the industry, to protect its intellectual property rights. The number, timing and pace of such litigations and other procedures are not solely within the Company's control and could have a significant impact on the Company's business, financial position, operating results and cash flows.

A key element of the Company's business model is growth through development of its patent portfolio. Such growth is expected to be achieved by developing and filing patents on internally developed technology, acquisition of patents or companies with patents, and entering into new licensing alliances or expanding existing alliances. Failure of the Company to properly develop the portfolio, in a timely manner, either by failing to adequately strengthen existing portfolios or to correctly identify new markets and acquire assets to address new markets could have a materially negative impact on the Company's business, financial position, results of operations or cash flows.

Market concentration risk. Most of MOSAID's revenue currently comes from the memory industry through licensing revenues primarily associated with DRAM and Flash memory. Memory markets are volatile and cyclical. While the Company has diversified its patent portfolio to enable the Company to address additional semiconductor and communications markets, weakness, in any of the Company's target markets, could suppress royalty-based revenues, and make it more difficult to negotiate and close future IP licensing arrangements.

Licensee concentration. In fiscal 2011, revenue from each of four of the Company's licensees amounted to more than 10% of consolidated revenues from operations. Revenue from one licensee was 28%; revenues from the other licensees were 18%, 14%, and 10% respectively. While the Company typically enters into multi-year agreements in order to stabilize revenues, loss of a significant licensee could have a material adverse impact on the Company's future revenues, earnings, financial position and cash flows.

Risk of non-payment. Certain of MOSAID's receivables and backlog are not insured. When receivables and backlog are not insured, the Company relies on the reputation and creditworthiness of its licensees. A default by a significant licensee could have a material adverse impact on the future revenues, earnings, financial position and cash flows of the Company.

Legal risk. MOSAID's future growth and profitability rests partially on its ability to generate value from the Company's patent portfolio. Unfavourable rulings in litigations between MOSAID and its existing or prospective licensees could damage its ability to generate future revenues and profits from its IP. Further risks include changes in laws that would limit the rights of patent holders, as well as legal rulings and/or regulatory investigations or complaints having an adverse impact on the validity, enforceability, potential royalty rates, and strength or breadth of coverage of MOSAID's patents.

Arbitrage Risk. The Company has purchased patents and intends to acquire further patents which it believes can be asserted to the Company's advantage. Other companies have similar interests, and the market for such assets may become more competitive, thus reducing the opportunity for the Company to enjoy superior returns from this avenue for growth.

Loss of key employees. The sustainability of MOSAID's growth depends on the quality of its employees. The loss of key employees could pose a threat to the degree of success of MOSAID. The Company strives to maintain a competitive level of salaries and benefits, and provides incentives for superior performance and inventiveness, both in the short-term and in the long-term.

Foreign currency risk. MOSAID's sales are denominated primarily in U.S. dollars or Euros. The Company uses derivative instruments to manage risks associated with currency fluctuations. These instruments allow MOSAID to fix the rate at which foreign currencies will be converted to Canadian dollars at the time that sales or contracts are negotiated. However, the term of such instruments is limited, therefore, they do not offer a long-term hedge against adverse foreign currency fluctuations.

Maintenance of a minimum cash position. Litigation requires that MOSAID continue to be well financed to pose a credible litigation threat to its adversaries. The Company believes that it is adequately capitalized to meet this and other financial requirements of its business.

Risks related to the ownership of Common Shares

Trading volume of shares. The Company's common shares, which are listed on the Toronto Stock Exchange under the symbol "MSD", have been subject to wide fluctuations in the number of shares traded on a daily basis. Such fluctuations could significantly impact the trading price of the shares at any point in time.

Future issuances of common stock. The market price of the Company's common shares could decline as the result of future issuance by the Company, sales by its existing shareholders of the common shares, or the perception that these issuances or sales could occur.

Evaluation of Internal Controls

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the year ended April 30, 2011 and have concluded that the Company's disclosure controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was made known to them and reported as required, particularly during the period in which the annual filings were being prepared.

Management is also responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has evaluated the design of the Company's internal controls and procedures over financial reporting as of the end of the period covered by the annual filings, and believes the design to be sufficient to provide such reasonable assurance.

During fiscal 2011, the Company made changes to its systems of internal controls that did not materially affect internal control over financial reporting.

Updated Guidance

Updated guidance provided by Management may be found in the Company's press release entitled "MOSAID Reports Results for Fourth Quarter and Year-End Fiscal 2011 and Dividend" dated June 16, 2011.

The following information is considered material forward-looking information:

- Revenues can vary significantly from quarter to quarter depending upon contractually determined timing of payments or royalty reporting by licensees, the cyclical nature of the semiconductor and communications industry, and foreign currency fluctuations.
- Revenues for fiscal 2012 are anticipated to be in the range of \$85 million - \$90 million or approximately 10% higher than the prior year.
- While the signing of each new license agreement typically reduces the Company's economic dependence on any one licensee, the Company expects, during fiscal 2012, to continue to be dependent upon relatively few licenses for its revenues.
- The Company expects the trend of deriving a significant majority of its revenues from fixed-payment arrangements to continue for fiscal 2012.
- Patent portfolio management expense is expected to be in the range of \$9 million - \$10 million or approximately 10% - 12% of revenues.
- The Company expects patent licensing and litigation costs to be in the range of 40%-45% of revenues. The increase from prior years is due primarily to the increase in litigations.

Further, given the Company's business model, the Company could become involved in additional litigation initiated either by the Company or by existing or potential licensees. The Company's business model anticipates the use of litigation in certain circumstances in order to protect the Company's IP rights.

- The Company expects R&D expense to be in range of \$5.7 million to \$6.2 million or 5% - 7% of revenues.
- The Company expects G&A expense to be in the range of \$5.2 million to \$5.6 million, or 6% - 7% of revenues.
- The Company expects the effective pro forma tax rate to be approximately 28% for fiscal 2012.

The Company expects the absolute dollar amount of patent amortization and imputed interest expense, a non-cash item, to be approximately 13% higher in fiscal 2012 than in fiscal 2011, before any further acquisitions, due to the increased amortization relating to new patents acquired in fiscal 2011.

No substantial change is expected for investment income during fiscal 2012.

Other MD&A Requirements

Additional information relating to the Company, including its Annual Information Form, is available at www.sedar.com.

Auditors' Report

To the Shareholders of
MOSAID Technologies Incorporated

We have audited the accompanying consolidated financial statements of MOSAID Technologies Incorporated, which comprise the consolidated balance sheets as at April 30, 2011 and 2010, and the consolidated statements of income and retained earnings, comprehensive income and cash flows for the years then ended, and 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 Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

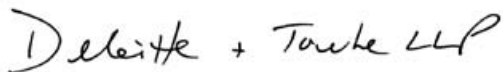
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 the auditor's 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, the auditor considers 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 financial position of MOSAID Technologies Incorporated as at April 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

July 6, 2011
Ottawa, Canada

Management's Responsibility for Consolidated Financial Statements

The accompanying Consolidated Financial Statements of MOSAID Technologies Inc. ("the Company") 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 by management in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and careful judgments based on information currently available. All other financial information in this report is consistent with that contained in the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting which includes those policies and procedures that provide reasonable assurance over the safeguarding of assets and over the completeness, fairness and accuracy of the consolidated financial statements and other financial information.

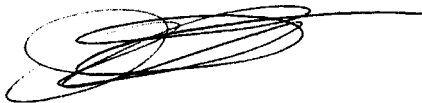
The Board of Directors carries out its responsibility for the Consolidated Financial Statements in this Annual Report principally through the activities of its Audit Committee, comprised of directors who are not employees of the Company. The Audit Committee meets quarterly with management and annually with 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 Deloitte & Touche LLP, who were appointed by the shareholders at the Annual General Meeting. Their report outlines the scope of their examination and opinion on the Consolidated Financial Statements.



John C. Lindgren

President and
Chief Executive Officer



Joseph R. Brown

Vice President and
Chief Financial Officer

MOSAID Technologies Incorporated

Consolidated Balance Sheets

(In thousands of Canadian Dollars)

	April 30, 2011	April 30, 2010
Current Assets		
Cash and cash equivalents	\$ 97,809	\$ 70,732
Marketable securities (Note 16)	17,021	30,096
Accounts receivable	13,301	4,880
Prepaid expenses	542	698
Other asset (Note 16)	1,136	2,053
Future income tax asset (Note 12)	7,591	10,930
	137,400	119,389
Property and equipment (Note 4)	321	257
Acquired intangible assets (Note 4)	71,292	80,685
Investment tax credits receivable (Note 12)	16,118	15,748
	\$225,131	\$216,079
Current Liabilities		
Accounts payable and accrued liabilities	\$ 12,504	\$ 7,734
Deferred revenue	213	4,611
Other liability (Note 16)	-	992
Current portion of other long-term liabilities (Note 6)	9,896	8,294
	22,613	21,631
Deferred gain on sale-leaseback (Note 5)	616	828
Other long-term liabilities (Note 6)	26,911	33,132
Future income tax liability (Note 12)	5,625	6,147
	55,765	61,738
Shareholders' Equity (Note 7)		
Share capital (Note 8)	129,021	126,573
Contributed surplus (Note 7)	3,592	3,452
Retained earnings	35,905	22,702
Accumulated other comprehensive income (Note 7)	848	1,614
	169,366	154,341
	\$225,131	\$216,079

See accompanying Notes to the Consolidated Financial Statements



Carl Schlachte
Chairman of the Board



Normand Paquette
Director and Chairman of the Audit Committee

MOSAID Technologies Incorporated

Consolidated Statements of Income and Retained Earnings

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

Years Ended	April 30, 2011	April 30, 2010
Revenues	\$80,537	\$71,110
Operating expenses		
Patent portfolio management	9,570	7,485
Patent licensing and litigation	13,082	9,239
Research and development (Note 10)	2,974	2,853
General and administration	5,798	5,978
Foreign exchange (gain)	(1,450)	(4,550)
Stock-based compensation (Note 9)	1,989	1,189
Special committee (Note 11)	-	719
Patent amortization and imputed interest	16,457	15,215
	48,420	38,128
Income from operations	32,117	32,982
Investment income	1,345	439
Income before income tax expense and discontinued operations	33,462	33,421
Income tax expense (Note 12)	8,679	12,448
Income before discontinued operations	24,783	20,973
Discontinued operations income (net of tax) (Note 13)	247	777
Net income	25,030	21,750
Dividends	11,827	10,655
Retained earnings, beginning of year	22,702	11,607
Retained earnings, end of year	\$35,905	\$22,702
Earnings per share (Note 14)		
Basic – before discontinued operations	\$2.10	\$1.98
Diluted – before discontinued operations	\$2.07	\$1.97
Basic – net earnings	\$2.12	\$2.06
Diluted – net earnings	\$2.09	\$2.04
Weighted average number of shares		
Basic	11,826,997	10,580,958
Diluted	11,976,458	10,651,777

See accompanying Notes to the Consolidated Financial Statements

MOSAID Technologies Incorporated

Consolidated Statements of Cash Flows

(In thousands of Canadian Dollars)

Years Ended	April 30, 2011	April 30, 2010
Operating		
Income before discontinued operations	\$24,783	\$20,973
Items not affecting cash		
Amortization and imputed interest	14,438	12,252
Stock-based compensation	1,989	1,189
Loss on disposal of assets	42	73
Unrealized foreign exchange (gain) on other long-term liabilities	(2,467)	(4,972)
Future income taxes and investment tax credits	1,559	8,507
	40,344	38,022
Change in non-cash working capital items from continuing operations (Note 15)	(7,895)	8,074
	32,449	46,096
Investing		
Acquisition of property and equipment and acquired intangibles	(4,420)	(1,134)
Acquisition of marketable securities	(43,758)	(29,686)
Proceeds on disposal and maturity of marketable securities	56,833	18,478
	8,655	(12,342)
Financing		
(Decrease) in other long-term liabilities	(2,838)	(14,399)
Dividends paid	(11,495)	(10,655)
Funding of restricted share unit plan	(2,085)	(880)
Net proceeds from equity financing	-	29,342
Issuance of common shares	2,354	1,416
	(14,064)	4,824
Net cash inflow from continuing operations	27,040	38,578
Net cash inflow (outflow) from discontinued operations (Note 13)	37	(745)
Net cash inflow	27,077	37,833
Cash and cash equivalents, beginning of year	70,732	32,899
Cash and cash equivalents, end of year	\$97,809	\$70,732
Supplementary Information:		
Cash on hand and bank balances	\$97,809	\$54,802
Short-term investments	-	15,930
Total cash and cash equivalents	\$97,809	\$70,732

See accompanying Notes to the Consolidated Financial Statements

MOSAID Technologies Incorporated**Consolidated Statements of Comprehensive Income**

(In thousands of Canadian Dollars)

Years Ended	April 30, 2011	April 30, 2010
Net income	\$25,030	\$21,750
Other comprehensive income, net of tax:		
Gains (losses) on derivatives designated as cash flow hedges	754	3,149
Gains (losses) on derivatives designated as cash flow hedges in prior periods transferred to earnings in the current period	(1,520)	(1,981)
Other comprehensive income (loss)	(766)	1,168
Comprehensive income	\$24,264	\$22,918

See accompanying Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Years ended April 30, 2011 and 2010

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

1. Nature of Operations

MOSAID Technologies Incorporated (the "Company") was continued under the Canada Business Corporations Act. The Company licenses patented intellectual property in the areas of semiconductors and telecommunications systems and develops semiconductor memory technology. Founded in 1975, MOSAID has operations and is headquartered in Ottawa, Ontario, Canada. The Company also has operations in Plano, Texas, U.S.A.

2. Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

Consolidation

These consolidated financial statements include the accounts of MOSAID Technologies Incorporated and its wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents include all readily tradable instruments such as bonds, debentures and discount notes with an original maturity of three months or less.

Marketable securities

Marketable securities include readily tradable instruments such as bonds, debentures and discount notes with original maturities in excess of three months and are carried at their fair value as they are classified as held-for-trading.

Property and equipment and acquired intangible assets

Property and equipment are recorded at cost. Acquired intangible assets are recorded at their fair value at the date of acquisition. Amortization is provided over the estimated useful lives of the assets as follows:

Equipment	35% declining balance
Furniture and fixtures	20% declining balance
Leasehold improvements	shorter of useful life or term of the lease
Patents and exclusive patent rights	1 – 9 years
Software	35% declining balance

Property and equipment and acquired intangible assets are assessed for impairment when events or circumstances indicate that their carrying value may not be recovered. An impairment loss is recorded if the asset's net recoverable amount (based on estimates of undiscounted cash flows) is less than its carrying value. Acquired intangible assets consist of patents and exclusive patent rights and software.

Research and development

Research costs are expensed as incurred. Development costs are deferred once technical feasibility has been established and all criteria for deferral under GAAP are met. Such costs are amortized, commencing when the product is released, over the expected life of the product. To date, no development costs have met the criteria for deferral.

Government assistance and investment tax credits

Government assistance and investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation and there is reasonable assurance that they will be realized.

Revenue recognition

Revenue from fixed payments associated with long-term license agreements is recognized as payments become due from the licensee. Provisions for price protection are recorded as a reduction of revenue when lower prices are subsequently granted for comparable license terms. Royalty revenue from long-term license agreements, which is typically based upon sale of product by the licensee, is recognized upon notification of the sale by the licensee.

Deferred revenue arises on license agreements where the payment is received in advance of being due, or where the earnings process is complete but there is not reasonable assurance of collectability at the time of billing or on the gain on sale and leaseback of property.

Foreign currency translation

The accounts of the Company's foreign subsidiaries, which are considered to be fully integrated subsidiaries, and accounts in foreign currencies have been translated into Canadian dollars using the temporal method of foreign currency translation. Under this method, monetary items are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at rates in effect during the year except for amortization, which is translated at the same rate as the assets to which it relates. The resulting translation adjustments are included in the determination of net income.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, the change in the future income tax asset and liability is to be included in the determination of net income. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The Company recognizes future income tax assets to the extent that they are more likely than not to be utilized.

Employee and Director Stock Option Plan

The Company has an Employee and Director Stock Option Plan (ESOP) as described in Note 8 to these consolidated financial statements. The Company uses the Black-Scholes option pricing model to measure compensation expense relating to options. The fair value of the stock-based compensation is recorded as a charge to earnings based on the vesting period with a corresponding charge to contributed surplus. Upon the exercise of stock options, share capital is increased by the amount paid by the employees as well as the amounts previously added to contributed surplus when compensation costs were charged to earnings.

Employee stock purchase plan

The Company has an Employee and Director Stock Purchase Plan (ESPP) as described in Note 8 to these consolidated financial statements. The Company measures and recognizes compensation expense based on the fair-value of the stock using the Black-Scholes option pricing model.

Deferred share unit plan

The Company has a Deferred Share Unit (DSU) Plan (DSU Plan) as described in Note 9 to these consolidated financial statements. The Company accounts for DSUs as an expense over the vesting period of the DSUs using the fair value of the common shares, as determined by the closing price of the Company's publicly traded common shares on the reporting date.

Restricted share unit plan

The Company has a Restricted Share Unit (RSU) Plan (RSU Plan) as described in Note 9 to these consolidated financial statements. The Company funds an independent trustee to purchase the required shares. The Company recognizes compensation expense, as measured by the stock price on the grant date, over the vesting period.

Financial instruments

The Company classifies its financial instruments as loans and receivables, held-for-trading or other liabilities. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and management's intent. Management determines the classification of financial assets and liabilities at initial recognition and, except in very limited circumstances, the classification

is not changed subsequent to initial recognition. The Company designated its cash and cash equivalents, marketable securities and derivative assets and liabilities as held-for-trading, which are measured at fair value, with changes in fair value being recorded in net earnings, except in the case of hedging relationships where the fair value is recorded in other comprehensive income. Accounts receivable have been classified as loans and receivables, which are measured at amortized cost. Accounts payables and accrued liabilities and long-term liabilities have been classified as other financial liabilities, which are measured at amortized cost.

Hedging relationships and derivative financial instruments

The Company utilizes derivative financial instruments in the management of its foreign currency exposures. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific contractually related firm commitments on projects.

The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are recorded on the balance sheet as other assets or liabilities at fair value, with changes in fair value recorded in net income unless the derivative is designated as a cash flow hedge. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place at the end of the period. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded in other comprehensive income and is recognized in net income when the hedged item affects net income. The Company expenses transaction costs related to its foreign exchange contracts.

Comprehensive income

Comprehensive income includes net earnings and other comprehensive income (OCI). Comprehensive income is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders. It includes items that would not normally be included in net earnings, such as gains and losses on cash flow hedges.

Transaction costs

To comply with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments - Recognition and Measurement, an entity must decide on the initial measurement of financial assets and liabilities (other than those classified as held-for-trading) whether transaction costs will be added to the investment cost or expensed in net income. The Company has adopted the policy of recognizing transaction costs on all financial assets classified as available-for-sale in net income.

Use of accounting estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses. Significant estimates and assumptions included in these financial statements relate to property and equipment and acquired intangible asset impairment charges, amortization, valuation of stock options, allowance for doubtful accounts, certain accruals, future income taxes and contingencies. Actual results could differ from those estimates.

3. New Accounting Pronouncement

International Financial Reporting Standards

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), for financial years beginning on or after January 1, 2011. Effective May 1, 2011, the Company will adopt IFRS as the basis for preparing its consolidated financial statements. The Company will issue its financial results for the quarter ended July 31, 2011 prepared on an IFRS basis and provide comparative data on an IFRS basis as required.

4. Property and Equipment and Acquired Intangible Assets

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$1,299	\$1,078	\$221	\$1,390	\$1,153	\$237
Furniture and fixtures	276	260	16	276	256	20
Leasehold improvements	91	7	84	-	-	-
Property and equipment	\$1,666	\$1,345	\$321	\$1,666	\$1,409	\$257

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents and exclusive patent rights	\$119,059	\$47,929	\$71,130	\$114,936	\$34,380	\$80,556
Software	785	623	162	964	835	129
Acquired intangible assets	\$119,844	\$48,552	\$71,292	\$115,900	\$35,215	\$80,685

5. Deferred Gain on Sale-Leaseback

During fiscal 2008 the Company sold its corporate headquarters consisting of land and a building for total proceeds of \$10.5 million. The Company then entered into an operating lease agreement with the purchaser to leaseback 15,500 square feet of office space for seven years for its own use and assumed responsibility for subletting 50,000 square feet for two years. The sale resulted in a total gain of \$5.0 million less transaction costs of \$313,625, of which \$2.7 million is being deferred and amortized over the term of the lease.

	2011	2010
Deferred gain on sale-leaseback, beginning of the year	\$1,039	\$1,797
Portion of gain recognized during the year	(210)	(758)
Deferred gain on sale-leaseback, end of year	\$ 829	\$1,039
Current portion (recorded in current portion of deferred revenues)	(213)	(211)
Deferred gain on sale-leaseback, long-term	\$ 616	\$ 828

6. Other Long-Term Liabilities

Other long-term liabilities result from the purchase of patents and exclusive sub-licensing rights.

	2011	2010
Other long-term liabilities	\$36,807	\$41,426
Current portion	(9,896)	(8,294)
	\$26,911	\$33,132

At April 30, 2011, other long-term liabilities includes U.S. dollar denominated currency in the amount of \$38.8 million (2010 - \$41.0 million). Imputed interest expense of \$2.9 million was recorded for fiscal year 2011 (2010 - \$3.2 million) at a rate of 6% to 10%.

Principal repayments over the next five years are expected to be as follows:

2012	\$ 9,896
2013	\$ 3,240
2014	\$ 4,171
2015	\$ 7,322
2016 and thereafter	\$12,178

7. Shareholders' Equity

The following are the changes in shareholders' equity for the years ended April 30, 2011 and April 30, 2010:

	Common Shares (number)	Common Shares (\$)	Contributed Surplus (\$)	Retained Earnings (\$)	Accumulated Other Comprehensive Income (\$)	Total (\$)
Balance at April 30, 2010	11,763,626	\$126,573	\$3,452	\$22,702	\$1,614	\$154,341
Net income	-	-	-	25,030	-	25,030
Dividends	-	-	-	(11,827)	-	(11,827)
Employee and Director Stock Option Plan	112,203	3,186	(966)	-	-	2,220
Employee and Director Stock Purchase Plan	13,474	155	(23)	-	-	132
Restricted share unit plan	-	(1,225)	(860)	-	-	(2,085)
Stock-based compensation	-	-	1,989	-	-	1,989
Dividend reinvestment plan	10,895	332	-	-	-	332
Other comprehensive income	-	-	-	-	(766)	(766)
Balance at April 30, 2011	11,900,198	\$129,021	\$3,592	\$35,905	\$ 848	\$169,366

	Common Shares (number)	Common Shares (\$)	Contributed Surplus (\$)	Retained Earnings (\$)	Accumulated Other Comprehensive Income (\$)	Total (\$)
Balance at April 30, 2009	10,184,323	\$ 94,741	\$3,753	\$11,607	\$ 446	\$110,547
Net income	-	-	-	21,750	-	21,750
Dividends	-	-	-	(10,655)	-	(10,655)
Employee and Director Stock Option Plan	119,475	2,144	(882)	-	-	1,262
Employee and Director Stock Purchase Plan	22,328	496	(337)	-	-	159
Restricted share unit plan	-	(601)	(271)	-	-	(872)
Stock-based compensation	-	-	1,189	-	-	1,189
Equity financing	1,437,500	29,793	-	-	-	29,793
Other comprehensive income	-	-	-	-	1,168	1,168
Balance at April 30, 2010	11,763,626	\$126,573	\$3,452	\$22,702	\$1,614	\$154,341

8. Share Capital

Authorized

Unlimited number of common shares.

During fiscal 2011, the Company announced a dividend reinvestment plan (DRIP) which became effective January 21, 2011. Under the plan, qualified shareholders may elect to acquire additional shares of the Company by reinvesting any cash dividends paid on their respective shareholdings.

During fiscal year 2010, the Company completed an equity financing for gross proceeds of \$31.1 million. The after tax net proceeds of \$29.8 million include expenses of \$1.8 million, offset by the tax effect of \$451,000. The Company issued 1,437,500 common shares at a price of \$21.65 per share.

Employee and Director Stock Purchase Plan

For two six-month periods commencing on the second business day after the Company's second quarter or fiscal year end financial results are publicly announced (each an "Offering Period"), eligible employees are given an opportunity to request that a percentage of their salary be deducted each pay period for the purpose of acquiring common shares of the Company. Directors may elect to put a maximum lump sum payment of 50% of their annual compensation per offering. Employees may elect to designate up to 5% of their annual salary. The purchase price under the ESPP is the lesser of 90% of the fair market value of the common shares, as determined by calculating the weighted average sale price for board lots as posted on the TSX the ten trading days immediately preceding (i) the first day of the Offering Period in which the purchase date falls or (ii) the purchase date. The common shares are not considered to be issued by the Company until the end of the six month period. During fiscal 2011, 13,474 (2010 - 22,328) common shares were issued pursuant to the ESPP. As at April 30, 2011, \$76,013 (2010 - \$93,234) was committed under the ESPP but the common shares were unissued. This amount is presented as part of cash and cash equivalents on the Consolidated Balance Sheets.

Employee and Director Stock Option Plan

Pursuant the Company's ESOP, the maximum number of common shares which may currently be issued upon the exercise of stock options granted under the ESOP cannot exceed 1,064,927, of which 742,992 are issued and outstanding at April 30, 2011. The exercise price is to be fixed by the Human Resources Committee of the Board of Directors, but shall not be lower than the closing price of the common shares on the TSX on the day prior to the date of grant. Options granted under the ESOP currently expire within a period of six years of granting, with vesting periods determined by the Human Resources Committee. All options outstanding at April 30, 2011 have been granted with equal annual vesting over a four year vesting period.

A summary of the status of the ESOP as of April 30, 2011 and April 30, 2010 and changes during the years ending on those dates are presented below:

	2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at start of the year	636,145	\$17.64	564,595	\$15.65
Granted	219,050	\$26.47	192,900	\$18.92
Exercised	(112,203)	\$19.79	(119,475)	\$10.35
Forfeited	-	-	(1,875)	\$14.87
Outstanding at end of year	742,992	\$19.92	636,145	\$17.64
Options exercisable at year-end	239,724	\$17.72	209,816	\$19.25

Fiscal Year 2011

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$10.50 - \$11.66	171,889	3.43	\$11.65	75,821	\$11.65
\$14.87 - \$18.88	191,275	4.51	\$18.84	46,975	\$18.76
\$20.22 - \$21.61	154,778	2.09	\$20.93	109,053	\$20.98
\$24.50 - \$29.96	225,050	5.29	\$26.47	7,875	\$24.74
\$10.50 - \$29.96	742,992	3.99	\$19.92	239,724	\$17.72

Fiscal Year 2010

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$10.50 - \$11.66	186,239	4.43	\$11.65	42,286	\$11.65
\$14.87 - \$18.88	200,525	5.40	\$18.77	7,875	\$16.73
\$20.22 - \$21.61	231,731	2.87	\$20.98	145,530	\$21.11
\$23.15 - \$26.25	17,500	2.17	\$24.32	14,125	\$24.22
\$10.50 - \$26.25	636,145	4.10	\$17.64	209,816	\$19.25

9. Stock-based Compensation

During the year ended April 30, 2011, the Company recorded total stock-based compensation expense of \$1,989,000 (2010 - \$1,189,000) with the offsetting charge to contributed surplus. Stock-based compensation was comprised of \$882,000, \$1,060,000 and \$47,000 relating to the ESOP, RSU and ESPP Plans respectively (2010 - \$634,000, \$516,000, \$39,000).

The weighted average fair value of options granted during the year was calculated using the Black-Scholes option pricing model with the following assumptions:

	2011	2010
Risk free interest rate	1.9%	2.1%
Expected life in years	4.8	5.5
Expected dividend yield	3.8%	5.3%
Volatility	37.17%	38.68%

The weighted average fair value per option granted during the year ended April 30, 2011 is \$6.34 (fiscal 2010 - \$4.18).

During the year ended April 30, 2011, \$966,000 (2010 - \$882,000) was reclassified from Contributed Surplus to Share Capital related to options exercised.

The Company granted 40,392 RSUs during fiscal 2011 (2010 - 93,278). The RSUs vest over three years. Under the RSU Plan, RSUs are settled using common shares of the Company at no additional cost to the employee. During fiscal year 2011, the Company funded an independent trustee to purchase 87,031 (2010 - 46,639) shares, 40,392 shares related to the 2011 grant and 46,639 related to the 2010 grant and to provide custodial services. The Company recognizes compensation expense equal to the stock price on the grant date, over the vesting period.

During fiscal 2011, the Company granted 17,566 (2010 - 16,446) DSUs in lieu of options to directors and officers and 1,836 (2010 - 3,023) DSUs in lieu of retainers to directors under its DSU Plan. The weighted average fair value per DSU granted during the year ended April 30, 2011 is \$26.49 (2010 - \$18.88). DSUs do not have an exercise price and can only be settled using cash consideration. During the year ended April 30, 2011, 20,791 (2010 - 1,568) units were settled. DSUs vest evenly over a four-year period except for DSUs which are issued to directors who elect to receive quarterly retainer amounts in the form of DSUs, which vest immediately. DSU expense of \$2.1 million (2010 - \$1.6M) was recorded during the year.

10. Research and Development

Investment tax credits were applied to reduce current research and development expenses in the Statements of Income and Retained Earnings as summarized below.

	2011	2010
Total current research and development	\$3,203	\$3,051
Less: Investment tax credits	229	198
Net research and development expense	\$2,974	\$2,853

11. Special Committee

The Special Committee, on behalf of the Board of Directors, is responsible for undertaking, conducting, overseeing, monitoring and otherwise facilitating an evaluation of strategic alternatives, including acquisitions, divestitures, mergers and asset sales, for the Corporation to maximize shareholder value and, on the basis of that evaluation, develop recommendations for the Board of Directors.

	2011	2010
Special committee	\$ -	\$719

12. Income Taxes and Investment Tax Credits

The following are components of the provision for income taxes for the fiscal years ended:

	April 30, 2011	April 30, 2010
Current	\$5,840	\$ 5,660
Future	2,936	7,169
	\$8,776	\$12,829

Income tax expense is comprised of:

	April 30, 2011	April 30, 2010
Continuing operations	\$8,679	\$12,448
Discontinued operations	97	381
	\$8,776	\$12,829

The provision for income taxes reported differs from the amount computed by applying the Canadian statutory rate to income before taxes for the following reasons:

	2011	2010
Income from continuing operations before income tax	\$33,462	\$33,421
Income from discontinued operations before income tax	344	1,158
Income before income tax expense	\$33,806	\$34,579
Combined basic Canadian Federal and Provincial income tax at 29.83% (2010 - 32.67%)	\$10,084	\$11,296
Increase (decrease) resulting from:		
Change due to substantively enacted tax rates	138	2,782
Permanent differences	(133)	813
Increase (reduction) in valuation allowance	157	(361)
Impact of rate reduction and change in foreign exchange on value of future income tax assets	(1,498)	(2,566)
Prior year adjustment	-	842
Other	28	23
	\$ 8,776	\$12,829

	2011	2010
Future income taxes consist of the following items:		
Reserves and share issuance costs deductible in future periods	\$1,479	\$ 1,009
Unclaimed research and development expenses	5,772	9,402
Non-capital loss carry-forwards	530	-
Long-term Ontario harmonization tax payable	(2,865)	(4,297)
Difference between tax and book value of property and equipment and acquired intangible assets	(2,950)	(1,331)
	\$1,966	\$ 4,783

	2011	2010
Long-term investment tax credits	\$16,118	\$15,748

	2011	2010
Short-term future tax assets	\$ 7,591	\$10,930
Long-term future income tax liabilities	(5,625)	(6,147)
	\$ 1,966	\$ 4,783

13. Discontinued Operations

On March 28, 2007, the Company announced it had finalized the sale of certain Systems Division assets to a third party and further announced that it would wind down its remaining Systems Division business by year-end. On July 30, 2007, the Company concluded the sale of certain assets of its Semiconductor IP product development business to a third party.

Accordingly, the results of operations of the Systems Division and the Semiconductor IP business have been segregated in the accompanying consolidated financial statements.

The results of discontinued operations are as follows:

	2011	2010
Revenues	\$134	\$ 33
Expenses	-	-
Operating income	134	33
Gain on sale of assets	210	1,125
Earnings before taxes	344	1,158
Income tax expense	97	381
Income from discontinued operations (net of tax)	\$247	\$ 777

The gain on sale of assets is comprised of the gain on sale of certain assets of its Semiconductor IP products business and the gain on sale of the land and building (Note 5).

The cash outflow from discontinued operations is comprised of:

	2011	2010
Net income from discontinued operations	\$ 247	\$ 777
Add:		
Decrease in long-term deferred gain on sale-leaseback	(213)	(211)
Increase (decrease) in non-cash working capital items	3	(1,311)
Cash (outflow) inflow from discontinued operations	\$ 37	\$ (745)

14. Earnings Per Share

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

	2011	2010
Income before discontinued operations	\$24,783	\$20,973
Discontinued operations	247	777
Net income	\$25,030	\$21,750
Weighted average number of common shares outstanding	11,826,997	10,580,958
Effect of dilutive stock options ¹	149,461	70,819
Weighted average number of common shares outstanding – dilutive ²	11,976,458	10,651,777
	2011	2010
Basic – income before discontinued operations	\$2.10	\$1.98
Diluted – income before discontinued operations	\$2.07	\$1.97
Basic - net income	\$2.12	\$2.06
Diluted – net income	\$2.09	\$2.04

¹ For FY2011, excludes the effect of 216,050 options as the exercise price exceeded the average fair market value of the common stock during the period and hence are anti-dilutive. For FY2010, excludes the effect of 440,631 options as the exercise price exceeded the average fair market value of the common stock during the period and hence are anti-dilutive.

² The calculation of the weighted average number of common shares excludes any issued DSUs as the DSUs will be settled with cash, and any unissued shares related to the ESPP.

15. Changes in Non-Cash Working Capital Items – Continuing Operations

	2011	2010
Decrease (increase) in current assets		
Accounts receivable	\$(8,423)	\$5,520
Prepaid expenses	156	(54)
	(8,267)	5,466
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	4,770	2,290
Income taxes payable	-	(1,432)
Deferred revenue	(4,398)	1,750
	\$(7,895)	\$8,074
Other supplementary disclosures:	2011	2010
Acquisition of acquired intangible assets by other long-term liabilities	\$ -	\$12,169
Interest and income taxes paid:		
Interest paid	-	-
Taxes paid	\$43	\$ 866

At April 30, 2011, cash and cash equivalents includes foreign denominated currency, primarily U.S. dollars, in the amount of \$9.5 million (2010 - \$8.1 million).

16. Financial Instruments

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

Credit Risk

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

The Company provides credit to certain licensees in the normal course of its operations. The Company's credit risk review includes performing periodic credit evaluations of its most significant licensees. In certain circumstances, the Company may utilize letters of guarantee or credit insurance to mitigate certain credit risks. Many of the Company's licensees are large national and international public companies. Due to the nature of the Company's operations, provisions for doubtful accounts are made on a licensee-by-licensee basis, based upon on-going review of licensees' financial status.

Many of the Company's current licensees' operations are focused in the semiconductor industry. The semiconductor industry, particularly the dynamic random access memory (DRAM) segment, can suffer from economic difficulties due to pricing pressure as a result of oversupply of memory devices.

Due to the long-term nature of the Company's licensing arrangements, in certain circumstances, the Company may not be able to obtain, at reasonable cost, credit insurance or other forms of credit risk mitigation instruments. A default of the remaining payments by one of the Company's major licensees could have a materially adverse impact on the Company's future revenues, earnings, cash flow and financial position.

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

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

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

	2011	2010
Cash and cash equivalents	\$ 97,809	\$ 70,732
Marketable securities	17,021	30,096
Accounts receivable	13,301	4,880
Other asset	1,136	2,053
Other liability	-	(992)
	\$129,267	\$106,769

The aging of accounts receivable at the reporting date was:

	2011	2010
Current	\$10,661	\$1,367
Past due	2,640	3,513
	\$13,301	\$4,880

Of the amount past due, the Company expects to collect a portion of the amount under a credit insurance policy.

Marketable securities comprise the following:

	2011	2010
Bonds & debentures	\$ 720	\$27,087
Discount notes	16,301	3,009
	\$17,021	\$30,096

The carrying values of bonds and debentures and discount notes include accrued interest and approximate market value. Investments in bonds and debentures and discount notes represent holdings in corporate and government short-term marketable securities as at April 30, 2011 and April 30, 2010 and have a maturity date of one year or less.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments.

Foreign Exchange Risk

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

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

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

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

Fiscal Year 2011

Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value
Sell	\$8,350	USD	< 3 months	\$8,626	\$ 716
Sell	\$5,600	USD	3-12 months	\$5,737	\$ 420
					\$1,136

Fiscal Year 2010

Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value
Sell	\$12,875	USD	< 3 months	\$13,836	\$ 759
Sell	\$21,225	USD	3-12 months	\$22,890	\$1,294
					\$2,053
Buy	\$(5,000)	USD	3-12 months	\$(6,093)	\$(992)

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar would have decreased (increased) other comprehensive income by approximately \$48,000 (2010 - \$167,000).

Interest Rate Risk

The Company is exposed to interest rate risk due to its holdings of interest-bearing marketable securities. It is the Company's policy to invest in securities with a maturity date of twelve months or less and Company practice is to hold such securities, when possible, until maturity. A 1% increase (decrease) to the interest rate would result in an approximate \$72,000 (2010 - \$166,000) decrease (increase) in the fair value of the investments held as at the reporting date.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At April 30, 2011, the Company had \$114.8 million of cash and marketable securities and has a secured bank credit facility of \$10.0 million, less off balance sheet arrangements as described in Note 18 to meet liabilities when due. The credit facility is collateralized by a general security agreement and contains no covenants.

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

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

Payments Due by Period

(in thousands of dollars)

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating leases	\$ 1,266	\$ 323	\$ 647	\$ 296	\$ -
Other long-term obligations	44,584	11,383	13,043	20,158	-
Total contractual obligations	\$45,850	\$11,706	\$13,690	\$20,454	\$ -

Fair Value

The fair values of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair value of long-term obligations is determined using the present value of future cash flows under current financing agreements, based on the Company's current estimated borrowing rate for loans with similar terms and conditions. The fair value of the other long-term obligations is \$38.4 million at April 30, 2011.

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

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

Financial instruments recorded at fair value on the Consolidated Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Consolidated Balance Sheet, classified using the fair value hierarchy described above:

Fiscal Year 2011

	Level 1	Level 2	Level 3	Total Financial Assets and Financial Liabilities at Fair Value
Cash and cash equivalents	\$ 97,809	\$ -	\$ -	\$ 97,809
Marketable securities	17,021	-	-	17,021
Other asset	-	1,136	-	1,136
	\$114,830	\$1,136	\$ -	\$115,966

Fiscal Year 2010

	Level 1	Level 2	Level 3	Total Financial Assets and Financial Liabilities at Fair Value
Cash and cash equivalents	\$ 70,732	\$ -	\$ -	\$ 70,732
Marketable securities	30,096	-	-	30,096
Other asset	-	2,053	-	2,053
Other liability	-	(992)	-	(992)
	\$100,828	\$1,061	\$ -	\$101,889

17. Business Segment Information

The Company operates in one operating segment; licensing patented intellectual property in the areas of semiconductors and communications systems and developing semiconductor memory technology.

Revenues are attributed to countries based upon the location of the licensee.

Fiscal Year 2011

	Revenues	Property and Equipment and Acquired Intangible Assets
Korea	\$37,669	\$ -
U.S.A	25,389	-
Taiwan	7,664	-
Japan	6,049	-
Germany	-	-
Netherlands	-	-
Finland	3,766	-
Canada	-	71,613
	\$80,537	\$71,613

Fiscal Year 2010

	Revenues	Property and Equipment and Acquired Intangible Assets
Korea	\$41,500	\$ -
U.S.A	8,491	-
Taiwan	8,096	-
Japan	2,843	-
Germany	5,503	-
Netherlands	176	-
Finland	4,501	-
Canada	-	80,942
	\$71,110	\$80,942

In fiscal 2011, four of the Company's licensees each amounted to more than 10% of consolidated revenue from operations. Revenue from one licensee was 28%; revenues from the other three licensees were 18%, 14% and 10%, respectively.

In fiscal 2010, three of the Company's licensees each amounted to more than 10% of consolidated revenue from operations. Revenue from one licensee was 35%; revenues from the other two customers were 23%, and 12%, respectively.

18. Contingency and Commitments

As at April 30, 2011, the Company had outstanding letters of guarantee totaling \$200,000 (2010 - \$200,000). The Company enters into patent licensing agreements in the ordinary course of business. Although the Company does not provide price protection to most of its customers, there are times when it is a necessary means of doing business. Price protection may be offered to earlier licensees in order to ensure that they enjoy more favoured pricing relative to later licensees for comparable license terms. Such protections are not retroactive. At April 30, 2011, the Company estimates the fair value of this obligation as \$nil (2010 - \$nil) based upon the licenses executed to date.

Contractual obligations:

Operating Leases

The Company has an operating lease for office space. The future minimum lease payments over the next four years are as follows:

2012	\$323
2013	\$323
2014	\$323
2015	\$297

On March 31, 2011 the Company entered into a binding agreement to acquire a portfolio of patents for US\$9.5M. The transaction is expected to close in the first quarter of 2012. Payment is due within 30 days of the closing date.

19. Capital Management

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income.

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

Board of Directors

J. Ian Giffen ⁽¹⁾ ⁽²⁾
Director

John C. Lindgren
President, CEO and Director

Jerry W. Mills ⁽³⁾
Director

Normand Y. Paquette ⁽¹⁾ ⁽³⁾
Director

Barry J. Reiter ⁽²⁾ ⁽³⁾
Director

Carl P. Schlachte, Sr. ⁽¹⁾ ⁽²⁾
Chairman of the Board and Director

John P. Veschi ⁽³⁾
Director

⁽¹⁾ Member of Audit Committee
⁽²⁾ Member of the Corporate Governance and Nominating Committee
⁽³⁾ Member of the Human Resources Committee

Officers

John C. Lindgren
President and Chief Executive Officer

Nima Ahmadvand
Vice President, Telecommunications
Technologies

Joseph R. Brown
Vice President and Chief Financial Officer

Peter B. Gillingham
Vice President and Chief Technology Officer

Jin-Ki Kim
Vice President, Research and Development

Phillip S. Shaer
Vice President, General Counsel and Corporate
Secretary

Michael B. Vladescu
Vice President, Licensing and Intellectual
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Persons interested in receiving financial
information on the company should direct
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Email: ir@mosaid.com

Annual Meeting of Shareholders
The Annual and Special Meeting of
Shareholders will be held on
Thursday, September 22, 2011 at 10:30 a.m. at
the Brookstreet Hotel, Shakers Room, 2nd
Floor, located at 525 Legget, Ontario K2K 2W2,
Canada. Shareholders and others interested in
the Company are invited to attend.

Share Information

Market Listing

Toronto Stock Exchange Symbol: MSD

Weighted average number of shares for the year ended April 30, 2011 (audited)

Basic:	11,826,997
Diluted:	11,976,458

Share trading information

Fiscal Year 2011

TSX (Cdn \$)	High	Low	Closing	Volume
First quarter ended July 31, 2010	\$23.93	\$17.61	\$22.87	1,771,588
Second quarter ended October 31, 2010	\$27.49	\$20.84	\$27.15	1,970,403
Third quarter ended January 31, 2011	\$32.70	\$24.99	\$32.04	1,742,137
Fourth quarter ended April 30, 2011	\$33.28	\$27.74	\$30.09	1,386,510
Total				6,870,638

Fiscal Year 2010

TSX (Cdn \$)	High	Low	Closing	Volume
First quarter ended July 31, 2009	\$16.71	\$12.00	\$16.24	1,935,292
Second quarter ended October 31, 2009	\$19.84	\$16.06	\$16.45	2,248,574
Third quarter ended January 31, 2010	\$22.93	\$14.95	\$21.18	2,869,760
Fourth quarter ended April 30, 2010	\$25.14	\$20.38	\$21.45	3,516,233
Total				10,569,859

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DRAM
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Memory
Revenue

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