



MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated June 11, 2008

This document has been prepared for the purpose of providing management's discussion and analysis (MD&A) of our financial condition and results of operations for the three months and fiscal year ended April 30, 2008 compared to the three months and fiscal year ended April 30, 2007. The MD&A should be read in conjunction with our consolidated financial statements and accompanying notes for the three months and fiscal year ended April 30, 2008. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in this MD&A are in Canadian dollars, except where otherwise noted.

Throughout this MD&A, "we", "us", "our" and "March Networks" and "Company" refer to March Networks Corporation and its subsidiaries. Quarterly and annual reports, our annual information form and other continuous disclosure documents are available at www.sedar.com.

This MD&A is dated June 11, 2008, and is current to that date, unless otherwise stated. This document contains forward-looking statements, which are qualified by reference to, and should be read together with, the "Forward-looking Statements" section below. Forward-looking statements in this MD&A describe our expectations on June 11, 2008, unless otherwise noted.

Certain statements included in this management's discussion and analysis constitute forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts but reflect the Company's current assumptions and expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current assumptions and expectations.

Assumptions made in preparing the forward-looking statements and financial guidance contained in this MD&A include, but are not limited to, the following:

- The market for the Company's products will grow by greater than 10% annually.
- The Company's revenue concentration with any end user customer will not exceed 10% in fiscal 2009.
- The Company will develop and deliver new products on time in order to satisfy the demands of current and potential customers.
- The Company will have adequate component supply to meet customer demand.
- The Company's gross margin as a percentage of revenue in fiscal 2009 will improve relative to fiscal 2008.
- The Company will lower its operating cost structure as a percentage of revenue relative to fiscal 2008.
- The prevailing exchange rate for US dollars and Euros to Canadian dollars will be US\$1.00=CDN\$1.00 and Euro 1=CDN\$1.50.
- The Company will continue to demonstrate its potential to generate sufficient profits in future fiscal years to realize the value of its future tax assets.

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

- Higher than targeted product costs and/or higher than expected declines in market pricing for new products.

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- Delays in product development programs for new products and new product features which lead to cost overruns and /or missed customer opportunities.
- Weaker than expected success versus competitors in new customer opportunities and/or loss of existing customers to competitors.
- Revenue shortfalls due to delays in securing new customer opportunities and the lack of long term purchase commitments from customers.
- Slower than expected customer adoption of the Company's new product and service offerings.
- Product issues in the Company's installed base that result in increased costs to the Company and/or lost revenue opportunities.
- Difficulties integrating acquired business operations and related diversion of management attention.
- Shortages or long lead times in component supply that affect the Company's ability to meet customer demand.
- Reduced customer spending associated with the impact of deteriorating economic conditions and increasing fuel prices.

Additional risks are discussed herein and under "Risk Factors" in the Company's Annual Information Form available online at www.sedar.com.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set out selected consolidated financial information for the periods indicated. The selected consolidated financial information set out below as at, and for the three months April 30, 2008 and April 30, 2007 and fiscal years ended, April 30, 2008, 2007 and 2006 has been derived from the consolidated financial statements and accompanying notes for the three months and fiscal year ended April 30, 2008. Each investor should read the following information in conjunction with those statements and the related notes.

Consolidated Statements of Operations Data (\$Cdn 000's and % of revenue, except per share data)	Three Months Ended April 30				Fiscal Year Ended April 30					
	2008	%	2007	%	2008	%	2007	%	2006	%
Revenue	\$21,052	100.0%	\$19,815	100.0%	\$94,410	100.0%	\$87,620	100.0%	\$76,182	100.0%
Cost of revenue, excluding retrofit cost	10,750	51.1	10,475	52.9	50,783	53.8	41,650	47.5	32,825	43.1
Retrofit cost	750	3.5	—	—	3,189	3.4	—	—	—	—
Gross Margin	9,552	45.4	9,340	47.1	40,438	42.8	45,970	52.5	43,357	56.9
Selling, marketing and support	5,479	26.1	4,140	20.9	17,402	18.4	16,134	18.4	10,463	13.7
Research and development - gross	4,978	23.6	3,456	17.5	16,937	18.0	10,630	12.1	5,421	7.1
Investment tax credits	(394)	(1.9)	(429)	(2.2)	(1,114)	(1.2)	(1,274)	(1.4)	(883)	(1.1)
General and administrative, excl. fx	3,557	16.8	2,644	13.3	13,695	14.5	10,395	11.9	7,615	10.0
Foreign exchange loss	41	0.3	642	3.2	930	1.0	575	0.6	867	1.1
Operating earnings (non-GAAP measure)¹	(4,109)	(19.5)	(1,113)	(5.6)	(7,412)	(7.9)	9,510	10.9	19,874	26.1
Stock-based compensation	446	2.1	291	1.5	2,760	2.9	1,485	1.7	712	0.9
Amortization of acquired intangibles	399	1.9	136	0.7	810	0.8	439	0.5	—	—
Lawsuit settlement	—	—	—	—	—	—	2,263	2.6	—	—
Interest income, net	773	3.6	848	4.3	3,921	4.1	3,428	3.9	1,905	2.5
Earnings (loss) from continuing operations, before income taxes	(4,181)	(19.9)	(692)	(3.5)	(7,061)	(7.5)	8,751	10.0	21,067	27.7
Provision for income taxes	(1,057)	(5.0)	(248)	(1.3)	(546)	(0.6)	3,936	4.5	(25,328)	(33.2)
Earnings (loss) - continuing operations	(3,124)	(14.9)	(444)	(2.2)	(6,515)	(6.9)	4,815	5.5	46,395	60.9
Discontinued operations	—	—	2	—	—	—	1,227	1.4	(2,502)	(3.3)
Net earnings (loss)	\$(3,124)	(14.9)%	\$(442)	(2.2)%	\$(6,515)	(6.9)%	\$6,042	6.9%	\$43,893	57.6%
Basic earnings per common share										
From continuing operations	\$(0.18)		\$(0.03)		\$(0.38)		\$0.29		\$2.90	
From discontinued operations	—		—		—		0.07		(0.16)	
	\$(0.18)		\$(0.03)		\$(0.38)		\$0.36		\$2.74	
Diluted earnings per common share										
From continuing operations	\$(0.18)		\$(0.03)		\$(0.38)		\$0.27		\$2.63	
From discontinued operations	—		—		—		0.07		(0.14)	
	\$(0.18)		\$(0.03)		\$(0.38)		\$0.34		\$2.49	
Weighted average common shares										
Basic	17,633,233		16,848,071		17,194,161		16,714,709		15,995,657	
Diluted	18,547,657		17,931,083		18,162,208		17,938,447		17,665,729	

1. The Company considers this to be a measure of achieving its objectives as it emphasizes cash flow oriented operating activities. This measure may not be comparable to similar measures used by other companies.

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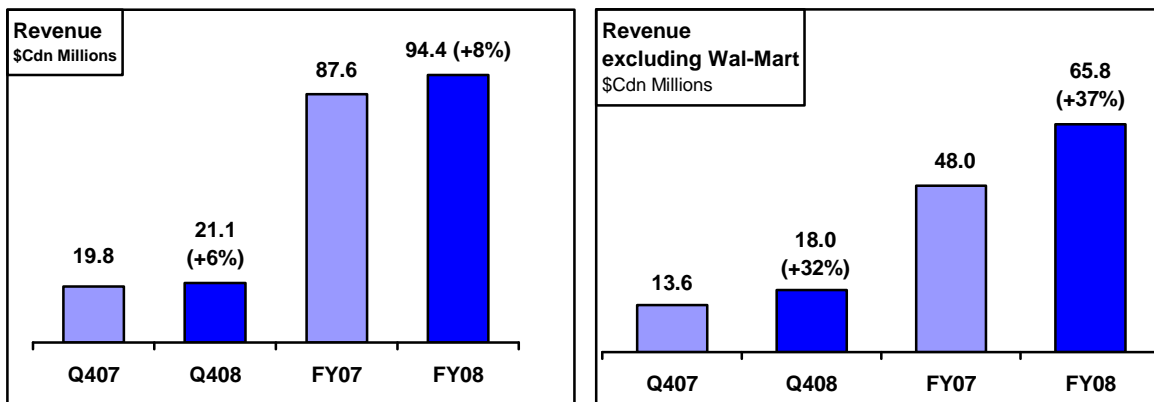
Consolidated Balance Sheet Data	April 30, 2008	April 30, 2007	April 30, 2006
	(Amounts in thousands)		
Cash and cash equivalents.....	\$ 4,187	\$ 3,526	\$ 3,292
Short-term investments.....	59,209	82,305	85,761
Accounts receivable.....	15,432	19,396	13,655
Inventories.....	22,220	11,577	6,346
Restricted cash.....	2,410	3,608	—
Other current assets.....	2,982	1,778	1,042
Capital assets.....	2,492	2,720	889
Future tax assets.....	25,637	24,173	26,571
Goodwill and acquired intangibles.....	<u>38,425</u>	<u>8,485</u>	<u>—</u>
Total assets.....	<u>\$172,994</u>	<u>\$157,568</u>	<u>\$137,556</u>
Accounts payable and accrued liabilities.....	\$ 21,812	\$ 10,127	\$13,979
Refundable royalty advance.....	2,410	2,775	—
Income taxes payable.....	422	467	475
Deferred revenue.....	12,377	13,441	3,637
Acquisition escrow.....	—	833	—
Long term compensation.....	451	—	—
Future tax liabilities.....	4,362	—	—
Share capital, warrants and contributed surplus	164,129	156,228	151,810
Deficit and accumulated other comprehensive income	<u>(32,969)</u>	<u>(26,303)</u>	<u>(32,345)</u>
Total liabilities and shareholders equity.....	<u>\$172,994</u>	<u>\$157,568</u>	<u>\$137,556</u>

OVERVIEW

March Networks is a leading provider of innovative video and data solutions for security surveillance, monitoring, analysis and business optimization. The Company's video management software, IP-based hardware solutions and managed services allow businesses to increase operational efficiencies, address risk, and manage assets with an integrated set of video-based intelligence tools and business intelligence applications. The Company develops and distributes a comprehensive suite of network digital video recorders, encoders and IP cameras, mobile digital video recorders and video management software designed to address the needs of four vertical market segments: Banking, Retail, Mobile Transportation (including regional transit authorities, freight rail and mass transit manufacturers) and Commercial Industrial (including corporate and government facilities, public safety applications and educational institutions).

The breadth of the Company's product offering and international presence expanded significantly in the fourth quarter of fiscal 2008 with the acquisition of Cieffe S.p.A and its related company, Insignis Technologies S.r.l. (together "Cieffe"), based in Milan, Italy. Cieffe's calendar 2007 revenue was approximately € 10 million (\$Cdn 15 million) and was generated primarily in Europe and Asia Pacific with an emphasis on the Commercial Industrial vertical market. The acquisition provides greater opportunities with the Company's existing customers and in the Company's other target vertical markets through an expanded product offering that now includes a portfolio of IP cameras and an expanded product line of video encoders and analytical software.

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The Company's revenue of \$21.1 million in the fourth quarter of fiscal 2008 increased by 6% as compared to the same quarter in the previous fiscal year and revenue for the fiscal year ended April 30, 2008 of \$94.4 million represents an increase of 8% as compared to fiscal 2007. The Company was successful in achieving its fiscal 2008 objective of diversifying its customer base by achieving 37% revenue growth outside of its largest customer, Wal-Mart USA ("Wal-Mart"). The Company had two customers in the fourth quarter and fiscal year ended April 30, 2008 and one in the corresponding periods of fiscal 2007 that represented greater than 10% of revenue.

The Company's gross margin as a percentage of revenue improved by 2% in the fourth quarter of fiscal 2008 as compared to the fourth quarter of fiscal 2007 and by 6.7% as compared to the third quarter of fiscal 2008, excluding the impact of a fourth quarter fiscal 2008 charge of \$750,000 to increase estimated retrofit costs for design issues in the Company's installed base of Mobile Transportation products. The Company's losses before income taxes of \$4.2 million and \$7.1 million for the fourth quarter and fiscal year ended April 30, 2008, respectively, exceeded the losses contemplated by the Company's February 28, 2008 guidance of \$3 million to \$5 million primarily as a result of falling short of the Company's overall revenue objective of annual revenue growth of at least the market growth rate (assumed to be at least 10%) and the \$750,000 retrofit charge in the fourth quarter of fiscal 2008. Fourth quarter fiscal 2008 revenues were lower than the Company expected as certain revenues anticipated from customers in the fourth quarter will not materialize until the first quarter of fiscal 2009.

The Company's management uses the non-GAAP measure of operating earnings to evaluate its performance and will use this measure to provide financial guidance going forward. The Company defines this measure as earnings before interest, taxes, amortization of intangibles, stock based compensation and special charges. The Company considers this to be the most relevant measure of achieving its objectives going forward as it emphasizes cash flow oriented operating activities. This measure may not be comparable to similar measures used by other companies.

The Company expects to achieve revenue in the range of \$100 million to \$115 million in the fiscal year ending April 30, 2009 and operating earnings in the range of between \$0.5 million to \$5 million during that period as compared to a loss of \$7.4 million using this measure in fiscal 2008. The Company anticipates this substantial improvement in operating results on the basis of its expectations of increased revenue, a significant improvement in the gross margin as a percentage of revenue based on the expectation of a higher margin sales mix and the absence of \$3.2 million in retrofit charges that severely impacted the fiscal 2008 gross margin and plans to lower operating costs as a percentage of revenue. The Company bases its expectations of future revenue upon expected future deployments of our products and services to existing customers and, more generally, through the evaluation of prospects in the Company's sales pipeline. The Company expects significant volatility in revenue growth rates from quarter to quarter due to limited visibility of the timing of orders from existing customers, recent volatility in the value of billing currencies such as the US dollar and the Euro relative to the Canadian dollar, and significant unpredictability in the length of sales cycles

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with new customers in the Company's sales pipeline. The Company is exposed to risk of failing to meet revenue expectations and could experience year over year revenue declines associated with the loss of customers and potential customers to competitors. An increasing number of new competitors and the consolidation of existing competitors into larger entities have exposed the Company to increased market pricing pressures and have heightened the risk that customer opportunities may be lost as a result of delays in the delivery by the Company of new products and new product features. The Company believes it has mitigated this risk through the addition of Cieffe's product portfolio and the anticipated release of new products developed by the Company over the next few months.

The Company bases its expectations of operating earnings on the expected gross margin from anticipated sales volumes by vertical market less budgeted operating expenses. Profitability results will experience significant volatility from quarter to quarter based on the volume and mix of products sold and the variability associated with discretionary program spending of customers, cost overruns on projects and other unexpected costs, and due to unanticipated costs such as foreign exchange gains or losses.

Net earnings from continuing operations, before income taxes, for the fourth quarter of fiscal 2008 declined relative to the fourth quarter of fiscal 2007 due to related to increased incentive compensation costs and increases in staff, increased use of off-shore development resources and higher marketing program costs. Net earnings from continuing operations, before income taxes, for the fiscal year ended April 30, 2008 declined relative to the prior fiscal year due to a lower gross margin and increased operating expenses. The decline in the gross margin in fiscal 2008 included \$3.2 million in retrofit charges to address product design issues in certain of the Company's Mobile Transportation products.

The Company consumed \$8.3 million in cash flow from operating activities in the fourth quarter of fiscal 2008 and generated \$3.5 million in cash flow from operating activities during the fiscal year ended April 30, 2008. Short-term investments decreased by \$23.1 million during the fiscal year ended April 30, 2008 as compared to the balance held at April 30, 2007, primarily as a result of the acquisition of Cieffe. Other balance sheet amounts and ratios are summarized in the table below.

	April 30, 2008	April 30, 2007
Key Balance Sheet Amounts and Ratios*:	(Amounts in 000's except Balance Sheet Ratios)	
Cash and cash equivalents.....	\$ 4,187	\$ 3,526
Short-term investments.....	59,209	82,305
Working capital	83,023	102,626
Long term assets	61,998	34,013
Working capital ratio	4.0:1	5.9:1
Days sales outstanding in accounts receivable.....	60 days	81 days
Portion of accounts receivable associated with deferred revenue	2,855	7,072
Pro forma days sales outstanding in accounts receivable excluding accounts receivable associated with deferred revenue	49 days	51 days
Inventory turnover	2.4 times	3.6 times

*The Company uses working capital, working capital ratio, days sales outstanding in accounts receivable and inventory turnover as measures to analyze balance sheet amounts between periods. These terms do not have a standardized meaning under GAAP and are not necessarily comparable to similar measures presented by other companies.

Revenue and Expenses

The Company sells its products and services through the combination of a pull-through sales strategy, which involves direct selling efforts by the Company to end-users, as well as channel partner initiated sales. The Company generally supplies its products to end users through channel partners irrespective of the sales strategy that generated the order.

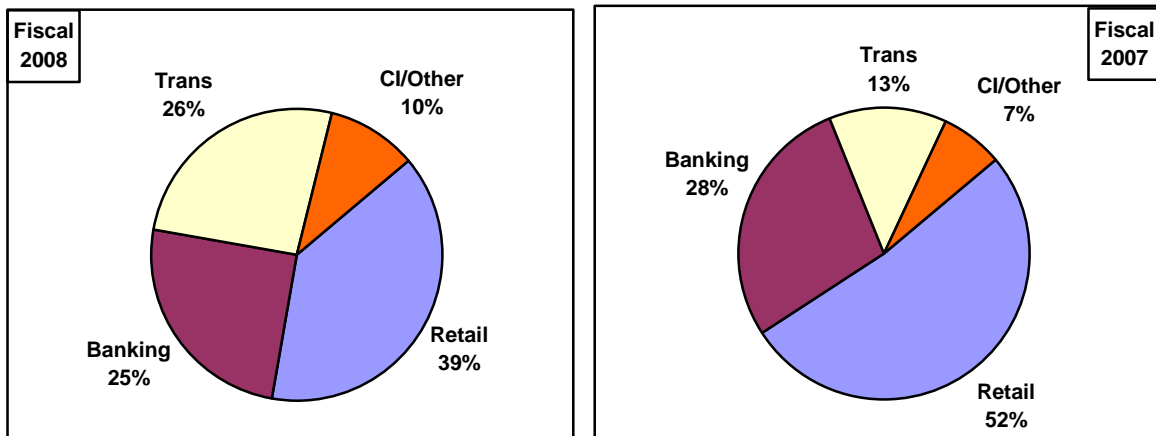
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The Company's pull-through sales efforts focus on large end-user accounts which tend to take greater than nine months for an order to be received by the Company for fulfillment. These orders typically result in large-scale end-user deployments that provide significant revenue to the Company over multiple quarters.

The Company targets customers in four primary vertical market sectors (Banking, Retail, Mobile Transportation ("Trans") and Commercial Industrial ("CI/Other")). The "Other" component of Commercial Industrial includes sales to channel partners for which the Company has no end-user and sector visibility. The Company was successful in expanding and diversifying its customer base in fiscal 2008 and plans to be able to achieve its fiscal 2009 revenue expectations with no single customer representing greater than 10% of revenue. The Company had two customers that represented greater than 10% of revenue in the fourth quarter and fiscal year ended April 30, 2008. The proportion of revenue from these customers as compared to the proportion of revenue they represented in the similar periods of fiscal 2007 is as follows.

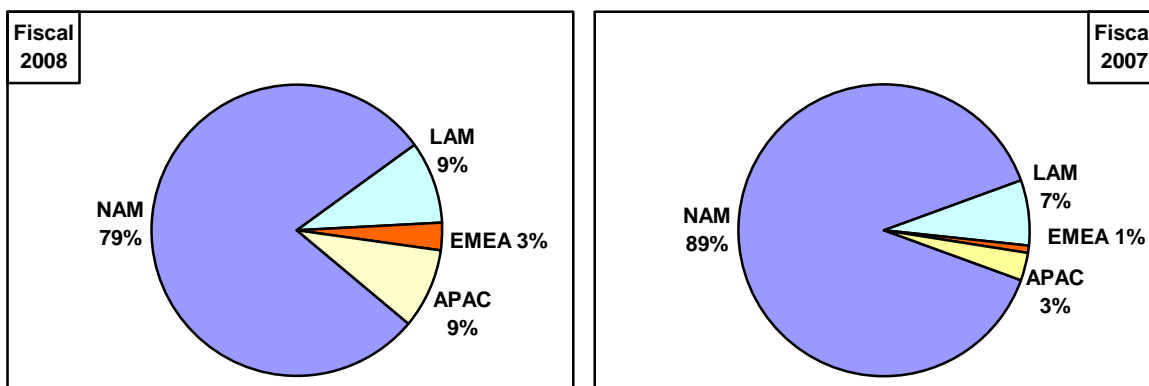
Customer	Vertical	Region	% of revenue Q4'08	% of revenue Q4'07	% of revenue Fiscal 2008	% of revenue Fiscal 2007
Wal-Mart	Retail	USA	14%	31%	30%	45%
Customer 2	Trans	USA	12%	8%	12%	6%

The following charts present the proportion of revenue attributable to each of the Company's target market sectors for the fiscal years ended April 30, 2008 and April 30, 2007. The Company expects the CI/Other segment to be its largest growth market in fiscal 2009 primarily due to the customers and product portfolio that have been added to the Company's resources through the acquisition of Cieffe.



The Company evaluates revenue performance in four main geographic regions which is evaluated separately. The four main geographic regions are: (1) North America (NAM), (2) Europe, Middle East and Africa (EMEA), (3) Latin America (LAM) and (4) Asia-Pacific (APAC) which includes Far East countries, Australia and New Zealand. The following charts present the proportion of revenue attributable to each of the four regions for the fiscal periods indicated.

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The Company mitigates the risk of revenue declines with continued sales efforts to increase the Company's customer base of large end user enterprises with multi-year deployment plans by working closely with our existing customer base to ensure that the Company provides solutions that meet its customers' on-going security and operational needs and by providing excellent customer support. The Company has extended its reach within its target vertical markets and has expanded its base of end-user customers. The average size and duration of new customer deployments has decreased significantly over the past year resulting in decreased revenue visibility associated with the need to obtain a higher number of new customers to maintain and enhance revenue levels in future periods.

The Company's cost of revenue is comprised of the cost of product, purchased mainly from the Company's outsourced manufacturers, and overhead costs primarily associated with staff dedicated to product supply, quality assurance, setup costs, logistics costs and warranty activities. The majority of the Company's manufacturing is outsourced to Sanmina-SCI Corporation ("Sanmina") and the remainder to BreconRidge Manufacturing Solutions Corporation ("BreconRidge"), a related party by virtue of the Company's principal shareholder and Chairman holding a significant equity position in BreconRidge. The majority of the Company's warranty and repair activities are currently outsourced to BreconRidge. The Company is satisfied that the commercial terms of its contracts with both of its outsourced manufacturers to be at arm's length and reflect prevailing market conditions.

Selling, marketing and support expenses primarily relate to remuneration of sales personnel. Other significant cost components include advertising, conference/trade show costs for marketing activities and sales force travel costs.

General and administrative expenses relate primarily to remuneration costs of related personnel, and occupancy and communications costs. The Company also records depreciation, foreign currency gains or losses and investment write-downs as general and administrative expenses. The Company's headquarters are leased from a related party controlled by the Company's principal shareholder and Chairman. The terms of the lease for these premises were negotiated on an arm's length basis.

Research and development expenditures consist primarily of personnel costs and material costs and the cost of subcontracted on-shore and off-shore research and development activities. Research and development expenses are presented net of any related financial assistance that has been received and investment tax credits associated with research and development expenditures.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

Revenue from product sales is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured. Service and installation revenue is recognized as the services are performed. Revenue from maintenance and extended warranty contracts is recognized on a straight-line basis over the terms of the contracts. For contracts involving multiple elements, the Company allocates revenue to each element based on relative fair values. Revenue attributable to undelivered elements is deferred and recognized upon performance. In addition to direct sales, the Company makes sales through distributors, certified solution providers and other value added resellers. For products sold through these distribution channels, revenue is recognized at the time of shipment to the distributor provided that all significant contractual obligations have been satisfied and collection is reasonably assured. The Company does not accept purchase orders or contracts with return clauses although it may, at its sole discretion, choose to accept customer returns. Accruals for potential warranty claims and estimated sales returns are made at the time of shipment and are based on contract terms and prior claims experience.

Allowance for doubtful accounts

The accounts receivable balance, net of allowance for doubtful accounts, was \$15.4 million as at April 30, 2008, which represented a decrease of \$4.0 million from the balance as at April 30, 2007. The allowance for doubtful accounts as at April 30, 2008 was \$1.4 million versus \$124,000 at April 30, 2007. The allowance for doubtful accounts represents the Company's best estimate of probable losses that may result from the inability of its customers to make required payments. The Company regularly reviews accounts receivable and uses judgment to assess its ability to collect specific accounts and, based on this assessment, an allowance is maintained for those accounts that are deemed to be uncollectible. A further allowance is estimated for the remainder of the accounts that are not specifically identified as uncollectible based on the aging of the accounts, the Company's historical collection experience and other available evidence.

Foreign currency translation

The Company maintains its accounts in Canadian dollars. The accounts of its foreign subsidiaries are maintained in the local currency where the subsidiary is incorporated. The Company has determined that most of its foreign operating subsidiaries are integrated foreign operations and as a result the Company has used the temporal method to translate the financial statements of these foreign operations into Canadian dollars. Subsidiaries that are deemed to be self-sustaining foreign operations are translated under the current rate method into Canadian dollars. Accordingly, for integrated foreign operations, monetary assets and liabilities are translated using the exchange rates in effect at the consolidated balance sheet date and non-monetary assets and liabilities at historical exchange rates. Revenue and expense items have been translated using average exchange rates prevailing during the year. For self-sustaining foreign operations, assets and liabilities are translated using the exchange rates in effect at the consolidated balance sheet date and revenue and expense items have been translated at the exchange rate in effect on the dates on which the items are recognized in income.

Foreign currency gains and losses resulting from impact of changes in exchange rates on the translation net foreign currency asset or liability positions into Canadian dollars for integrated foreign operations are reported in income as an element of general and administrative expenses and in other comprehensive income for self-sustaining foreign operations.

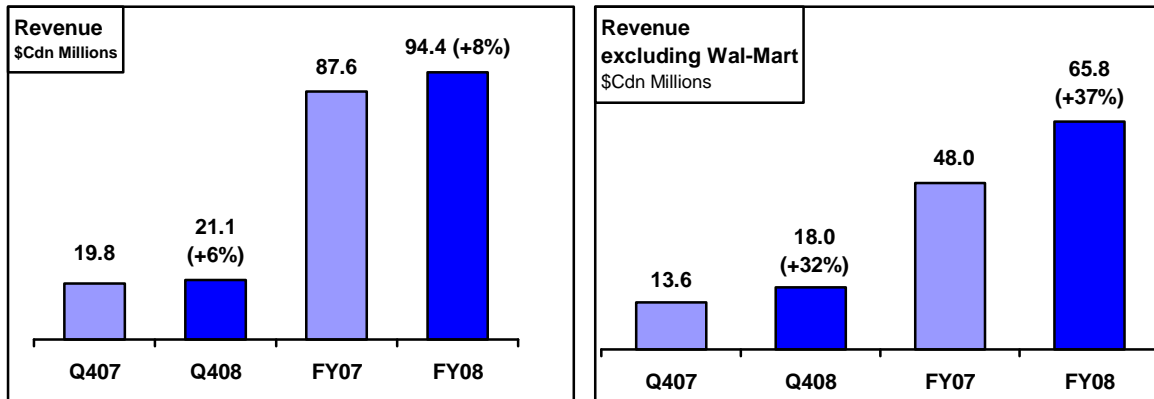
RESULTS OF OPERATIONS

The following table sets out selected consolidated statements of operations amounts and associated percentages of revenue for the periods indicated.

<i>Consolidated Statements of Operations Data</i> (\$Cdn 000's and % of revenue, except per share data)	<i>Three Months Ended</i> <i>April 30,</i>				<i>Fiscal Year Ended</i> <i>April 30,</i>			
	2008	%	2007	%	2008	%	2007	%
Revenue	\$21,052	100.0%	\$19,815	100.0%	\$94,410	100.0%	\$87,620	100.0%
Cost of revenue, excluding retrofit cost	10,750	51.1	10,475	52.9	50,783	53.8	41,650	47.5
Retrofit cost	750	3.5	—	—	3,189	3.4	—	—
Gross Margin	9,552	45.4	9,340	47.1	40,438	42.8	45,970	52.5
Selling, marketing and support	5,479	26.1	4,140	20.9	17,402	18.4	16,134	18.4
Research and development - gross	4,978	23.6	3,456	17.5	16,937	18.0	10,630	12.1
Investment tax credits	(394)	(1.9)	(429)	(2.2)	(1,114)	(1.2)	(1,274)	(1.4)
General and administrative, excl. exchange loss	3,557	16.8	2,644	13.3	13,695	14.5	10,395	11.9
Foreign exchange loss	41	0.3	642	3.2	930	1.0	575	0.6
Operating earnings (non-GAAP measure)	(4,109)	(19.5)	(1,113)	(5.6)	(7,412)	(7.9)	9,510	10.9
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Amortization of acquired intangibles	399	1.9	136	0.7	810	0.8	439	0.5
Lawsuit settlement	—	—	—	—	—	—	2,263	2.6
Interest income, net	773	3.6	848	4.3	3,921	4.1	3,428	3.9
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Discontinued operations	—	—	2	—	—	—	1,227	1.4
Net earnings (loss)	\$(3,124)	(14.9)%	\$ (442)	(2.2)%	\$(6,515)	(6.9)%	\$6,042	6.9%

Comparison of the three month period and fiscal year ended April 30, 2008 and 2007

Revenue



Revenue growth for the fourth quarter ended April 30, 2008 as compared to the similar quarter last fiscal year was achieved primarily on the strength of revenues from Banking and Commercial Industrial customers which compensated for the anticipated decline in revenue from the Retail market related to lower Wal-Mart revenues. The Company's revenue growth for the fiscal year ended April 30, 2008 relative to the prior fiscal year is primarily attributable to growth in the Mobile Transportation and Commercial Industrial markets which increased by 112% and 37%, respectively, on the strength of large project wins that deployed during the year. Retail revenues for fiscal 2008 declined by 18% relative to the prior year due to a decline in business from Wal-Mart, and Banking revenues were flat.

The Company's revenue growth by sector and by geographic region for the three months and fiscal year ended April 30, 2008 as compared to the same periods in fiscal 2007 is highlighted in the tables below.

<i>Revenue by Sector and Geography</i> (\$Cdn 000's)	<i>Three Months Ended</i> <i>April 30,</i>			<i>Fiscal year ended</i> <i>April 30,</i>		
	2008	2007	Growth	2008	2007	Growth
By Sector						
Retail	6,206	7,831	(21%)	37,203	45,229	(18%)
Banking	6,962	5,830	19%	23,846	24,290	(2%)
Commercial Industrial/ Other	3,628	1,967	84%	9,054	6,629	37%
Fixed solutions	16,796	15,628	7%	70,103	76,147	(8%)
Mobile Transportation solutions	4,256	4,187	2%	24,307	11,472	112%
Total	\$21,052	\$19,815	6%	\$94,410	\$87,620	8%
By Geography						
North America	15,507	17,932	(14%)	74,913	77,862	(4%)
Latin America	2,733	969	182%	8,277	6,225	33%
Europe, Middle East and Africa	1,371	320	328%	2,341	1,145	104%
Asia Pacific	1,441	594	143%	8,879	2,388	272%
Total	\$21,052	\$19,815	6%	\$94,410	\$87,620	8%

The Company intends to plan and evaluate its revenue performance and manage its sales efforts by emphasizing Fixed solutions ("Fixed") versus Mobile Transportation solutions ("Mobile") rather than

splitting the sales efforts by vertical market sector commencing in fiscal 2009. As a result, the Company does not intend to disclose revenue by sector going forward. The Company will continue to evaluate revenue performance by geographic region.

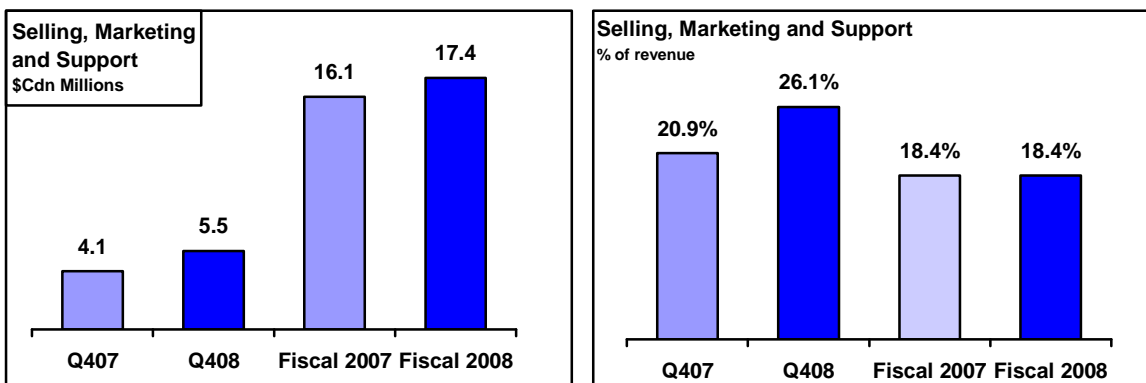
The Company had very strong growth in regions outside of North America in the three months and fiscal year ended April 30, 2008 as compared to the same periods last fiscal year primarily on the strength the Company's sales efforts in Latin America and in Asia Pacific which yielded revenue across Fixed and Mobile opportunities and on the addition of Cieffe which added approximately \$1 million in revenue to the EMEA revenues in the month of April. Revenue in North America outside of Wal-Mart grew by 6% and 21% in the fourth quarter and fiscal year ended April 30, 2008 as compared to the similar periods in fiscal 2007.

The relative strength of the Canadian dollar relative to the US dollar in the fourth quarter and fiscal year ended April 30, 2008 compared to the rates prevailing in the similar periods last fiscal year resulted in a negative impact on revenue for the fourth quarter of fiscal 2008 of approximately \$2.4 million and approximately \$8.8 million for fiscal 2008.

Gross margin

Gross margin as a percentage of revenue increased by 1.8% to 48.9% in the fourth quarter of fiscal 2008 and declined by 6.3% to 46.2% during the fiscal year ended April 30, 2008, respectively, as compared to the same periods last fiscal year, excluding the impact of retrofit charges. The Company's gross margin in the fourth quarter of fiscal 2008, excluding the impact of retrofit charges, improved relative to the fourth quarter of fiscal 2007 due primarily to lower manufacturing costs associated with moving production to Sanmina's Mexico facility and lower cost component sourcing. The Company's gross margin as a percentage of revenue is susceptible to significant volatility from period to period depending on the proportion of the Company's revenue derived from Mobile products which yields gross margins that are approximately 20% lower on average than for Fixed products. The fourth quarter of fiscal 2008 and the fourth quarter of fiscal 2007 had relatively similar proportions of Mobile revenue, however, Mobile revenue represented 26% of fiscal 2008 revenue as compared to 13% of revenue in fiscal 2007. This shift in revenue mix represents the principal reason for the 6.3% decline in the Company's gross margin as a percentage of revenue in fiscal 2008 as compared to fiscal 2007. The Company recorded a retrofit charge of \$2.4 million in the second quarter of fiscal 2008 to address design issues in the Company's installed base of Mobile products and recorded an additional \$750,000 charge in the fourth quarter of fiscal 2008 to reflect increased costs of executing the retrofit program relative to the \$2.4 million estimate made in the second quarter. Including retrofit charges the Company's gross margin as a percentage of revenue declined by 1.7% and 9.7% in the fourth quarter and fiscal year ended April 30, 2008, respectively. The Company expects that competitive pricing pressures will continue to put downward pressure on the Company's gross margin as a percentage of revenue in fiscal 2009. The Company expects this downward pressure to be mitigated by a more favourable sales mix and efforts to reduce operations costs. The gross margin is also susceptible to fluctuation in comparable periods resulting from changes in the cost of components, inventory obsolescence and fluctuations in the value of the Canadian dollar relative to the US dollar and the Euro. The relative strength of the Canadian dollar to the US dollar in the fourth quarter and fiscal year ended April 30, 2008 as compared to the rates prevailing in the fourth quarter and fiscal year ended April 30, 2007 resulted in a negative impact on the gross margin for the fourth quarter of fiscal 2008 of approximately \$1.0 million and approximately \$4.9 million for the fiscal year ended April 30, 2008 as the Company's revenues and costs of revenue are predominately transacted in US dollars.

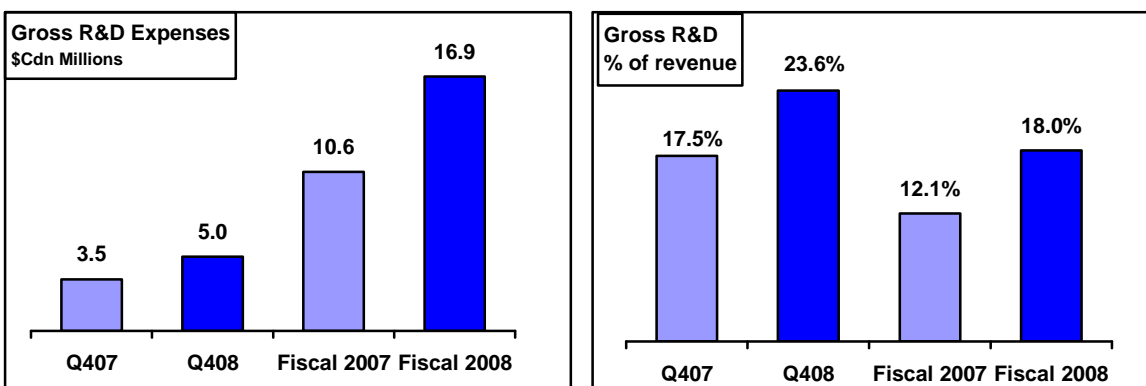
Selling, marketing and support expenses



The Company's selling, marketing and support expenses of \$17.4 million for the fiscal year ended April 30, 2008 increased by 8% as compared to \$16.1 million for fiscal 2007. The increase was primarily the result of increased incentive compensation costs, which increased by \$740,000, as well as increased marketing program costs. Selling, marketing and support expenses in the fourth quarter of fiscal 2008 of \$5.5 million increased by \$1.3 million or 32% as compared to the fourth quarter of fiscal 2007 due primarily to increased costs associated with marketing programs as well as increased incentive compensation costs.

Research and development expenses

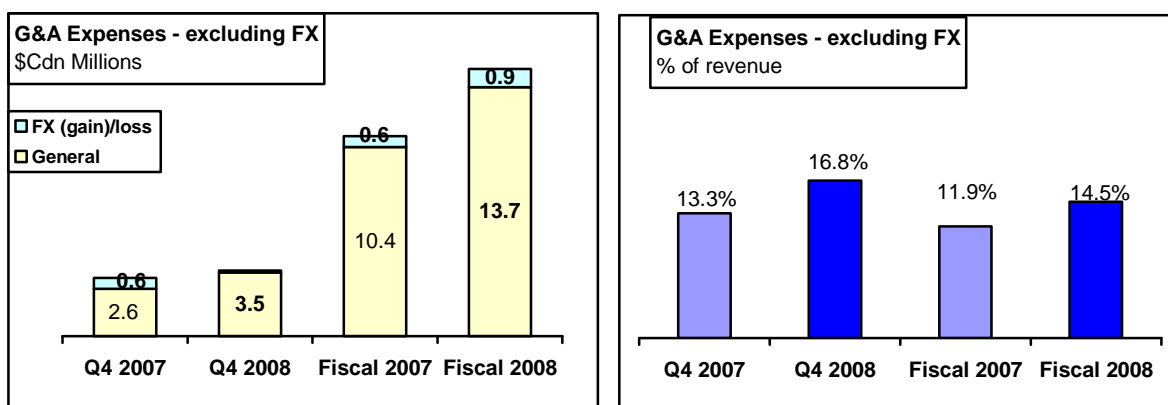
The Company's research and development objectives are to respond to emerging technological trends and to develop new and enhanced solutions that add features and functionality to the Company's products to address the needs of end-users in the Company's target vertical markets. Gross research and development expenses for the fourth quarter of fiscal 2008 of \$5.0 million increased by 44% as compared to \$3.5 million for the fourth quarter of fiscal 2007 and expenses of \$16.9 million for the fiscal year ended April 30, 2008 increased by 59% as compared to expenses of \$10.6 million in the previous fiscal year. The Company's research and development expenses are recorded net of associated tax credits which amounted to approximately \$394,000 and \$1.1 million in the fourth quarter and fiscal year ended April 30, 2008, respectively. The increases in research and development costs in the fourth quarter and fiscal year ended April 30, 2008 relative to the similar periods last fiscal year resulted primarily from the use of off-shore contract development resources that commenced in the fourth quarter of fiscal 2007 and from increased staff levels. The Company is using off-shore development resources to allow the Company to more effectively address the need to sustain development on current products while accelerating the time to market of new products on the Company's product roadmap. Gross R&D expenses and gross R&D expenses expressed as a percentage of revenue for the fourth quarter and fiscal year 2008 relative to the similar periods in fiscal 2007 are illustrated in the charts below.



The Company expects the level of off-shore development resources deployed to decrease significantly in fiscal 2009 as the current development projects come to completion and will allow net research and development costs to decline to between 13% and 15% of revenue in fiscal 2009.

General and administrative expenses

The Company's general and administrative costs increased by \$893,000 or 34% to \$3.5 million and \$3.3 million or approximately 32% to \$13.7 million in the fourth quarter and fiscal year ended April 30, 2008, respectively, as compared to the fourth quarter and fiscal year ended April 30, 2007, excluding the impact of foreign currency losses. The increase was attributable to increased staff remuneration associated with increased staff levels and salary increases, incentive compensation and severance costs as well as to increased IT and occupancy costs, depreciation and professional fees. The Company does not allocate operational and facilities costs to other functional areas of the Company. The charts below illustrate the Company's general and administrative expenses, including the amounts associated with foreign currency losses, and the Company's general and administrative costs excluding foreign currency losses expressed as a percentage of revenue for the fourth quarters and fiscal years ended April 30, 2008 and April 30, 2007. The Company expects general and administrative costs in fiscal 2009 to increase as a result of consolidating full year results of Cieffe but expects costs to remain consistent or decline as percentage of revenue depending upon the level of revenue achieved within the Company's guidance range.



Stock-based compensation

The Company's stock based compensation expense includes compensation expense associated with outstanding unvested options and the Company's newly instituted Performance Share Unit ("PSU") plan. Canadian and US GAAP require companies to record compensation expense for stock options granted to employees. Compensation expense associated with outstanding unvested options is measured at fair value at the date of grant and is expensed over the award's vesting period. Stock based compensation expense associated with outstanding unvested options in the fourth quarter and fiscal year ended April 30, 2008 were \$446,000 and \$2.8 million, respectively, which represented increases of \$155,000 and \$1.3 million as compared to the fourth quarter and fiscal year ended April 30, 2007. The increases were primarily attributable to the award of stock option grants to the Company's employees during fiscal 2007 and the increase in the fair value of the options granted. The Company instituted a Performance Share Unit ("PSU") incentive program in the second quarter of fiscal 2008 whereby employees may be awarded PSUs which entitle them to receive a cash payment equal to the value of one common share of March Networks per PSU at the time of vesting. All PSUs vest on the third anniversary of the award date, unless otherwise approved by the Board, subject to the attainment of specified performance goals during the vesting period. The Board may establish performance goals based upon corporation wide, divisional, or any other basis that they may determine to be relevant to aligning the Company's interests with those of its shareholders. The Board has determined that the performance goal for PSUs issued in the second quarter of fiscal 2008 is for the Company's volume weighted average return on its stock price for the three year fiscal period ending April 30, 2010 to exceed the

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performance of the TSX Small Cap Index over that same period. If March Networks' performance is below 75% of the performance of the TSX Small Cap index, the units awarded will be forfeited; if the return falls short of the return of the index by less than 25%, then 50% of the award will be forfeited. If March Networks' performance exceeds the performance of the TSX Small Cap Index by more than 50%, the Company will increase the award by 50%. Compensation expense associated with the PSU plan is based on progress against the performance goals established for PSU grants. The Company accrued stock based compensation recovery of \$92,000 for the quarter ended April 30, 2008 and stock based compensation expense of \$157,000 for the fiscal year ended April 30, 2008 associated with PSUs and has reflected this accrual as long term compensation liability on the Company's balance sheet.

Stock based compensation expense for the fiscal years ended April 30, 2008 and 2007 by fiscal year of option grants is as follows.

Fiscal Year Granted	Number granted	Average fair value	\$000's	
			Fiscal 2008	Fiscal 2007
2005	77,430	\$1.91	191	163
2006	276,080	\$5.18	404	395
2007	711,978	\$5.73	1,958	927
2008	102,100	\$3.61	50	—
Total related to stock options	1,167,588		\$2,603	\$1,485
2008 PSUs	127,533		157	—
Total expense			\$2,760	\$1,485

The fair value of stock options has been determined using the Black Scholes model based on the fair value of the common shares on the date of grant and the following assumptions for the fiscal year ended April 30, 2008: five-year life, interest rate of 3.70% (fiscal year ended April 30, 2007: 4.20%), volatility of 34.70% (fiscal year ended April 30, 2007: 35.20%), forfeitures of 11.41% (fiscal year ended April 30, 2007 - 0%) and no dividends. The Company has assumed a forfeiture rate of 11.16% for PSUs for the fiscal year ended April 30, 2008.

Liquidity and Capital Resources

The Company's objectives when managing its liquidity and capital structure are to generate sufficient operating cash flow to fund the Company's organic growth and debt service requirements (currently nil) while utilizing a combination of short term investments, issuance of share capital and/or debt to fund strategic initiatives. The Company emphasizes near term profitability and positive cash flow as key requirements in assessing acquisition opportunities. Key ratios and balance sheet amounts used to assess the Company's liquidity are presented in the table below.

	April 30, 2008	April 30, 2007
Key Balance Sheet Amounts and Ratios*:	(Amounts in 000's except Balance Sheet Ratios)	
Cash and cash equivalents.....	\$ 4,187	\$ 3,526
Short-term investments.....	59,209	82,305
Working capital	83,023	102,626
Long term assets	61,998	34,013
Working capital ratio	4.0:1	5.9:1
Days sales outstanding in accounts receivable.....	60 days	81 days
Portion of accounts receivable associated with deferred revenue	2,855	7,072
Pro forma days sales outstanding in accounts receivable excluding accounts receivable associated with deferred revenue	49 days	51 days
Inventory turnover	2.4 times	3.6 times

*The Company uses working capital, working capital ratio, days sales outstanding in accounts receivable and inventory turnover as measures to analyze balance sheet amounts between periods. These terms do not have a standardized meaning under GAAP and are not necessarily comparable to similar measures presented by other companies.

Cash Inflows and Outflows by Activity (\$Cdn 000's)	Three Months Ended			Fiscal year ended		
	April 30,			April 30,		
	2008	2007	Change	2008	2007	Change
Operating Activities						
Continuing operations	\$ (8,216)	\$(2,019)	\$(6,199)	\$ 3,598	\$3,965	(367)
Discontinued operations	—	(64)	59	—	(549)	549
	(8,216)	(2,083)	6,140	3,598	3,416	182
Investing Activities						
Continuing operations	8,101	2,010	6,092	(3,110)	(7,353)	4,243
Discontinued operations	—	5	(5)	—	1,226	(1,226)
	8,101	2,015	6,087	(3,110)	(6,127)	3,017
Financing Activities – continuing operations	141	252	(111)	314	2,933	(2,619)
Gain (loss) on cash held in foreign currencies	(52)	(6)	(43)	(141)	12	(153)
Net cash inflows (outflows)	\$ (26)	178	\$ (204)	661	234	427
Net bank indebtedness acquired	(580)	—	(580)	(580)	—	(580)
Net change in cash	\$(606)	\$178	\$ (784)	\$ 81	\$ 234	\$(153)

Cash and cash equivalents and short-term investments

As at April 30, 2008, the Company held \$4.2 million in cash and cash equivalents and \$59.2 million in short-term investments, which represented a combined decrease in cash and short-term investments of \$22.5 million as compared to April 30, 2007. The decrease was mainly associated with the acquisition of Cieffe in the fourth quarter of fiscal 2008 net of cash generated by operating activities.

Financial Instruments

As at April 30, 2008, the Company had open foreign currency forward contracts that have the effect of fixing the conversion of US \$3 million of the Company's net US dollar asset position to Canadian dollars and US \$1.4 million of the Company's net US dollar asset position to Euros. The contracts mature on or before July 15, 2008 at exchange rates varying between Canadian 0.9842 and 1.0275 and between Euro 1.5624 and 1.5634. The Company records the fair value of these contracts as the difference between the prevailing exchange rate at the period end and the open contract rate times the amount of US dollars to be converted under the contract. The Company has not applied hedge accounting to these contracts since they do not hedge specific future contractual obligations or commitments but rather are intended to counter the earnings impact of unrealized foreign currency gains and losses associated with the Company's net US dollar asset position. Changes in the value of these contracts are recorded as an element of general and administrative expense, which is consistent with the Company's treatment of foreign currency gains and losses. The Company recorded a net foreign currency loss during fiscal 2008 of \$930,000 as compared to a net foreign currency loss of \$575,000 in the fiscal year ended 2007.

The Company's short-term investment portfolio of \$59.2 million at April 30, 2008 included bankers' acceptances (85% of portfolio), commercial paper (8% of portfolio), and term deposits (7% of portfolio) with yields ranging from 1.65% to 4.91%.

The fair value of cash, short-term investments, accounts receivable and accounts payable approximates their fair values due to the immediate or short-term maturity of these financial instruments. On April 30, 2008, the Company had a significant concentration of credit risk with Wal-Mart which represented 16% of the Company's accounts receivable. The Company has effective evaluation, approval and monitoring processes to mitigate potential credit risks. The Company had approximately \$3.2 million of accounts receivable over 90 days at April 30, 2008 of which \$327,000 relates to Wal-Mart. An allowance of \$298,000 for over 90 day receivables was recorded at April 30, 2008 in accordance with the Company's credit and collection policy.

Working capital

Working capital represents the Company's current assets less current liabilities. Working capital decreased by \$19.6 million to \$83.0 million during the fiscal year ended April 30, 2008 as compared to April 30, 2007. The Company's working capital position decline during the fiscal year ended April 30, 2008 was primarily the result of the Company's acquisition of Cieffe in the fourth quarter of fiscal 2008. Changes in the Company's working capital are normally driven by the results of operating activities of the Company but also may be impacted by investing and financing activities, such as the acquisition of Cieffe, and by changes in the Company's expectations of its ability to realize the value of assets in the next 12 months. The Company's working capital ratio, calculated as current assets divided by current liabilities, at April 30, 2008 declined to 4.0:1 from 5.9:1 at April 30, 2007.

The Company's accounts receivable decreased by \$4.0 million to \$15.4 million at April 30, 2008 from \$19.4 million at the beginning of the fiscal year. The Company's days sales outstanding in accounts receivable ("DSO") at April 30, 2008, based on the closing balance of accounts receivable and fiscal 2008 revenue, was 60 days as compared to 81 days as at April 30, 2007. The Company also assesses its DSO on a pro forma basis that excludes accounts receivable associated with deferred revenue since these accounts receivable have not been recorded as revenue. DSO expressed on a pro forma basis excluding accounts receivable associated with deferred revenue was 49 days which compares favorably to the DSO expressed

on the same basis at April 30, 2007 of 51 days and to the Company's targeted range of 50 to 60 days. The Company strives to maintain steady monthly shipment levels to contribute to maintaining DSO within the expected range, however, the DSO will likely trend toward the top of the range as the Company expands its revenue base in markets outside of North America and/or the proportion of revenue from direct end-user customers relative to channel partners declines.

Accounts payable and accrued liabilities at April 30, 2008 associated with continuing operations increased to \$21.8 million from \$10.1 million at April 30, 2007. The increase includes \$4.2 million of Cieffe accounts payable and accrued liabilities; \$2.4 million remaining in the accrual of retrofit charges accrued during the year, and more generally to the timing of purchases and payments to suppliers.

Inventory turnover decreased to 2.4 times per year for fiscal 2008 as compared to 3.6 times for fiscal 2007. Excluding the amount of inventory and cost of sales associated with Cieffe, whose results were only consolidated with those of the Company for the month of April, the Company's inventory turnover was 3.1 times per year. The Company calculates inventory turnover by dividing annualized year to date cost of sales, excluding retrofit costs, by the closing inventory balance. The Company continually monitors inventory levels relative to expected customer deployments to ensure adequate supply without exposing the Company to obsolescence risk. The Company has evaluated the current level of inventory and believes that the mix of products in inventory continues to match the mix required for expected customer deployments. The Company subcontracts the manufacture of its products to third parties; therefore the majority of inventory is finished goods. Raw materials inventory is only held to the extent that the Company makes advance purchases of components in order to secure supply where shortages are anticipated. Inventory turnover will fluctuate when the Company builds up finished goods inventory levels at the end of a fiscal period to satisfy customer demand for shipments early in the following quarter, as a result of forward purchases of product components associated with discontinued manufacturing of certain components by suppliers or as a result of unanticipated quarterly revenue volatility. Inventory levels will also fluctuate with increases in the level of products shipped to end-user customers for which the Company is responsible for installation since the cost of the products shipped remains recorded as inventory, and the associated revenue is deferred, until installation is complete even though the customer's obligation to pay for these products commences on the date of shipment. The Company normally assumes the risks and benefits of ownership of inventory once the product is shipped from a contract manufacturer's facility, following initial production, when it becomes work in progress. Currently, work in progress is held in a segregated area at the Company's contract manufacturers' plants for final configuration to end-user specifications, after which it is held there as finished goods inventory for shipment. The Company has moved a significant portion of its production to Sanmina as Sanmina is better able to meet the Company's requirements for local manufacturing in international markets and for product cost reduction. The Company believes that sole supplier risk exists more at the component level than at the subcontract manufacturer level as Sanmina has several facilities globally.

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Deferred revenue at April 30, 2008 decreased by \$1.1 million from the beginning of the fiscal year to \$12.4 million. The sources of deferred revenue at April 30, 2008 as compared to April 30, 2007 are summarized in the table below.

(\$000's)	April 30, 2008	April 30, 2007
Product revenue (pending acceptance criteria)	\$2,423	\$6,932
Support and extended warranty - current (pending performance and coverage period)	<u>990</u> 3,413	<u>628</u> 7,560
Extended warranty revenue – long term (pending warranty period)	8,870	5,654
Support - long term (pending performance and coverage period)	<u>94</u> <u>\$12,377</u>	<u>227</u> <u>\$13,441</u>

Refundable royalty advances and escrow on acquisition

The Company acquired substantially all of the assets of Trax Retail Solutions, Inc. and its affiliated company ("Trax") during the first nine months of fiscal 2007. Prior to its acquisition by the Company, Trax had received a total of US\$2.5 million (CDN\$2.5 million) in royalty advances from a distributor/integration partner based in the United Kingdom. The terms associated with these advances entitle the partner to either receive software licenses in the future until the total amount of the advances is satisfied or require that any unsatisfied amount be refunded at the partner's sole discretion any time subsequent to December 31, 2006. The Company holds US\$2.4 million (CDN\$2.4 million) in escrow, in accordance with the Trax acquisition agreement, in order to satisfy any repayment of the advances that is demanded by the partner. Any remainder of such escrow amount will be paid to the vendors. The Company has recorded the refundable royalty liability, and the associated escrow of \$2.4 million, in current liabilities and current assets, respectively.

The Company settled two legal disputes associated with closing adjustments and claims with the Vendors of Trax in the fourth quarter of fiscal 2008 and applied the resulting net claims against the acquisition escrow of US\$750,000 and returned the balance of the escrow to the Vendors.

Income taxes

As at April 30, 2008, the Company had approximately \$2 million of tax losses available for carry forward and \$31 million of unclaimed research and development expenditures for income tax purposes, both of which can be applied to reduce Canadian income taxes, and approximately \$8.9 million of Canadian investment tax credits, which can be applied against future Canadian income taxes otherwise payable. In addition, the Company had approximately \$8.2 million of tax losses available for carry forwards in foreign jurisdictions, which can be used to reduce foreign taxable income in future periods. The ultimate realization of future tax assets is dependent upon future taxable income during the years in which these assets are deductible. Management considers the likelihood of future profitability, the character of the tax assets and applicable tax planning strategies of the Company to make this assessment. To the extent that management believes that the realization of future tax assets does not meet the more likely than not realization criterion, a valuation allowance is provided against the future tax assets. The Company has determined that the majority of these future tax assets and other future tax assets associated with temporary differences and reserves with a value totaling \$25.6 million are more likely than not to be realized given the Company's expectations of future profitability. A valuation allowance of \$2.4 million has been applied against the gross value of future tax

assets of \$28.0 million, primarily due to the treatment of certain government investment in the Company in prior years. The Company has received an assessment from the Canada Revenue Agency which proposes to change the way in which the investment is taxed. The Company has formally objected to this assessment but as the ultimate tax treatment of the investment is not known at this time, the amounts have been fully provided for in the valuation allowance.

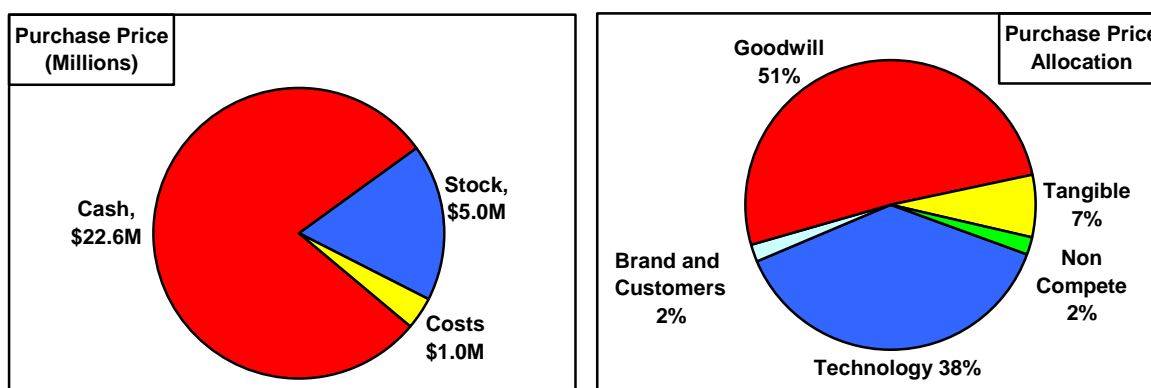
The Company's effective tax rate on income earned in Canada will differ from the expected basic Canadian corporate tax rate of approximately 33% as a result of timing differences and permanent differences associated with the calculation of net income for tax purposes as compared to the calculation under Canadian GAAP. Permanent differences generally account for the majority of the increase in the effective tax rate, with the most significant permanent difference being that stock based compensation expense is not deductible for income tax purposes. However, the more significant impact on the effective tax rate in fiscal 2008 was related to the impact of recently legislated reductions in Canadian federal corporate income tax rates which had the effect of reducing the value of future tax assets and increasing future income tax expense by \$772,000.

Purchase of Capital Assets

The Company spent \$757,000 on the acquisition of capital assets during the fiscal year ended April 30, 2008, which represented a decrease of \$1.7 million from the amount spent during the previous fiscal year. The decrease is mainly attributable to the fiscal 2007 purchase and implementation of the Company's new business system, which became operational in November 2006. The Company expects to spend approximately \$3.5 million on capital assets in fiscal 2009 primarily related to furniture, fixtures, equipment and leasehold improvements for new headquarter facilities to be occupied in the second quarter of fiscal 2009, IT infrastructure to support the Company's global expansion, as well as for manufacturing fixtures to support production of new products being introduced by the Company.

Acquisitions, divestitures and other assets

Cieffe: The Company concluded its acquisition of Cieffe S.p.A and its related company, Insignis Technologies S.r.l., on March 31, 2008. The total value of the transaction was approximately \$28.6 million (€17.7 million) including a cash payment on closing of €14.0 million (\$Cdn 22.6 million). Revenue of Cieffe in the 12 month period ended December 31, 2007 was approximately €10 million. The components of the approximately \$28.6 million in consideration paid and the purchase price allocation to the assets acquired, excluding the \$4.4 million future tax liability associated with the acquired intangibles, is shown in the charts below.



The Company will continue to review the assessment of the purchase price allocation and changes may be made in the year subsequent to the acquisition under GAAP if necessary. The Company is amortizing the value of the brand and customers over 2 years; the non-competition agreement over 3 years and the

technology over 5 years. Based on the estimated useful lives and the allocation of the purchase price, the amortization of acquired intangibles will be approximately \$790,000 per quarter during fiscal 2009. The amortization of acquired intangibles associated with Cieffe that was recognized in the fourth quarter of fiscal 2008 was approximately \$263,000 as Cieffe's results were consolidated with the Company's commencing April 1, 2008.

Trax Retail Solutions: The Company concluded its acquisition of substantially all of the assets of Trax on July 12, 2006. The total value of the transaction was approximately \$8.9 million (US\$7.9 million), including assumed net liabilities, settled in cash, plus a future earn-out component. The purchase price has been allocated primarily to goodwill (approximately \$5.4 million), acquired technology (\$3.2 million) and other intangible assets. Acquired technology is being amortized by the Company over 7 years with total annual amortization of all intangibles expected to be approximately \$550,000.

Contractual obligations

The Company's cash flows from operations are dependent on a number of factors, including fluctuations in operating results and working capital management. As a result, the impact of contractual obligations on liquidity and capital resources in the future should be analyzed in conjunction with those factors. The Company's contractual obligations with its contract manufacturers are based on a build plan commitment of thirteen weeks. The estimated cost of the Company's obligations under standard product warranties of up to twenty-four months and extensions of up to three years for the Company's installed base of products is recorded in accrued liabilities in the amount of \$2.0 million (April 30, 2007 - \$1.5 million). The Company reviews historical warranty costs relative to revenue and accrues warranty expenses accordingly. The Company has a remaining contractual obligation to purchase US\$300,000 (approximately \$300,000) of video analytics software licenses over the remainder of a 24 month period that commenced October 1, 2006. The Company's only long term cash obligations relate to amounts accrued under its PSU plan (\$157,000) and \$293,000 accrual associated with Termination Indemnification (TFR) for Cieffe employees required under Italian law. The Company bases the value of the TFR on actuarial value with gains and losses recognized in the period in which they occur. The Company had no material long-term debt or capital lease obligations as at April 30, 2008.

Liquidity and capital resource requirements

The Company has financed its operations and capital expenditures primarily through the use of cash generated from operating activities and the Company's capital resource strategy is to use its short term investments and funds raised through the issuance of equity, and debt if it so chooses in the future, to finance strategic initiatives. On May 26, 2008 the Company announced that the Toronto Stock Exchange (TSX) had accepted the Company's notice of intention to make a normal course issuer bid (NCIB) and that the Company's Board of Directors had approved the Company's purchase of up to 1 million of its common shares pursuant to the NCIB. Purchases under the NCIB will be made on the open market by Company through the facilities of the TSX at the prevailing market price at the time of the transaction. Purchases under the bid may be made at any time during the twelve month period commencing on May 29, 2008 subject to the rules and regulations of the TSX. All shares acquired by March Networks under the bid will be cancelled. The Company plans to fund purchases under the NCIB with cash and short term investments.

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Based on the Company's recent performance and the Company's current revenue expectations based on deployment visibility with its end-users, the Company believes that its cash resources will be sufficient to satisfy working capital and capital asset purchasing requirements for at least the next eighteen months. The Company will consider issuing additional common shares or securing debt financing to provide the required consideration for larger acquisitions to the extent that additional capital resources are required. The Company has a \$25 million committed revolving credit facility in place with the Royal Bank of Canada, and has made no borrowings on this facility to date.

Outstanding Share Data

The Company has one class of shares consisting of an unlimited number of common shares. Changes in the number of common shares, options and warrants outstanding during fiscal 2008 and from April 30, 2008 to June 11, 2008 are summarized below.

Class of security	Number outstanding at April 30, 2007	Net issues, (exercises and redemptions) during fiscal 2008	Number outstanding at April 30, 2008	Net issues, (exercises and redemptions) – April 30, 2008 – June 11, 2008	Number outstanding at June 11, 2008
Common shares	16,870,463	1,306,877	18,177,340	—	18,177,340
Stock options	1,294,937	(86,837)	1,208,100	—	1,208,100
Warrants	967,673	(230,528)	737,145	—	737,145

The number of the Company's outstanding common shares increased by 1,306,877 shares during fiscal 2008 as the result of issuing 1,019,252 shares on the acquisition of Cieffe, 51,780 shares on the exercise of stock options, 5,317 issued to Directors as compensation for services and 230,528 shares on the exercise of warrants.

There was no change in the number of common shares outstanding from April 30, 2008 to June 11, 2008.

Related Party Transactions

In fiscal 2008, the Company purchased an aggregate of \$21.0 million in products and services from seven companies controlled or influenced by the Company's principal shareholder and Chairman, under terms and conditions reflecting prevailing market conditions. These purchases were made primarily from BreconRidge Manufacturing Solutions Corporation (\$19.5 million) which is one of the Company's subcontract manufacturers and to whom the Company had outstanding accounts payable at April 30, 2008 of \$1.4 million. The Company also leases premises from Kanata Research Park Corporation ("KRP"), a real estate company controlled by the Company's principal shareholder and Chairman, on prevailing market terms and conditions negotiated on an arms' length basis. During the fiscal year ended April 30, 2008, the Company paid \$1.2 million of rent and associated operating costs to KRP.

The Company sold approximately \$1.3 million in raw materials to BreconRidge during the fiscal year ended April 30, 2008 of which \$167,000 remained receivable at April 30, 2008. Total receivables from related party's as at April 30, 2008 is \$274,000 (including BreconRidge). The Company recognized revenues in the aggregate amount of \$108,000 from two other companies controlled by the Company's principal shareholder and Chairman, under terms and conditions reflecting prevailing market conditions and had \$83,000 associated accounts receivable at April 30, 2008.

Changes to Accounting Standards

The Company adopted the following accounting standards for all fiscal periods commencing May 1, 2007.

CICA Handbook Section 1530: Comprehensive Income

This standard establishes requirements for reporting and display of comprehensive income. The new standard requires the presentation of comprehensive income and its components in a financial statement with the same prominence as other financial statements that constitute a complete set of financial statements. The elements of comprehensive income are net earnings as per the statement of operations and other comprehensive income which includes unrealized gains and losses on foreign currency translation of financial statements of self-sustaining foreign operations, unrealized gains and losses on available-for-sale financial assets and derivatives designated as cash flow hedges, and other revenues, expenses, gains and losses that under GAAP are elements of comprehensive income but are excluded from the calculation of net earnings. The Company applies this section prospectively as items that require restatement of prior comparative periods do not apply to the Company.

CICA Handbook Section 3461: Employee future benefits

The Company records an unfunded liability for *Trattamento di Fine Rapporto* ("TFR"), termination benefits legally required under Italian law to be paid upon termination of all employees regardless of cause. The TFR liability is calculated based on a rate of 13.5% of each employee's basic annual salary for each year of employment, adjusted for inflation on a yearly basis. Under Emerging Issues Committee 134, *Accounting for Severance and Termination Benefits*, liabilities related to employment laws should be measured in accordance with an actuarial present value. The actuary performed a valuation as of April 30, 2008. The pension benefit obligation and pension expense for 2008 is based on the current actuarial valuation.

CICA Handbook Section 3855: Financial Instruments - Recognition and Measurement

This standard establishes requirements for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The new standards require that all financial assets and liabilities be recorded on the balance sheet. On initial recognition, financial assets and liabilities are recorded at fair value. Subsequent measurement is determined based on the classification of the financial instrument including the treatment of gains or losses which are recognized in either net earnings or other comprehensive income. Under Section 3855, financial instruments are classified into one of five categories: held-for-trading financial assets, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. The new standard has been applied prospectively by the Company, with changes resulting from applying the new standard recorded against opening deficit with no impact to net income. The Company has designated its cash, cash equivalents, short-term investments and derivatives as held-for-trading. Financial instruments designated as held-for-trading are recorded at fair value with changes in the value recognized in net earnings. Accounts receivable have been classified as loans and receivables and accounts payable and accrued liabilities have been classified as other financial liabilities, all of which are measured at amortized cost.

CICA Handbook Section 1535: Capital Disclosures

This new section requires the Company to disclose its objectives, policies and process for managing capital and what the Company regards as capital. 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 and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income relating to cash flow hedges. The Company does not have any debt and therefore net earnings generated from operations are available for reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company does not have a defined share repurchase plan and buy and sell decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. The Company currently has not paid any dividends to its shareholders. 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.

CICA Handbook Section 1506: Accounting Changes

This new section establishes criteria for changes in accounting policies along with the accounting treatment and disclosures required upon adoption of new accounting policies, estimates and corrections of errors.

Recently issued standards applicable to future fiscal years are as follows:

Adoption of International Financial Reporting Standards (IFRS)

The CICA plans to converge Canadian GAAP with IFRS over a transition period expected to end in 2011. The Company is currently assessing the future impact of these new standards on its financial statements.

CICA Handbook Section 3064: Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, Goodwill and Intangible Assets which will replace Handbook Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. This revision aligns Canadian GAAP with International Financial Reporting Standards and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This section applies to fiscal years beginning on or after October 1, 2008 and will be adopted by the Company effective May 1, 2009. The Company is currently in the process of determining the impact of this standard on the Company's consolidated financial statements.

CICA Handbook Section 3031: Inventories

In June 2007, the CICA issued Section 3031, Inventories. This new section establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost, including the requirement to allocate costs based on normal production levels. The standard will be applied by the Company prospectively in fiscal 2009.

Disclosure Controls and Procedures

The Company's CEO and CFO are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings is recorded, processed, summarized and reported within the time periods specified by securities regulations. The CEO and CFO have evaluated the Company's disclosure controls and procedures as of June 11, 2008 and have determined that such disclosure controls and procedures are effective.

Internal Controls Over Financial Reporting (ICFR)

The Company's CEO and CFO are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The CEO and CFO have identified the Company's acquisition of Cieffe during the quarter as having a material affect on the Company's ICFR. The Company acquired Cieffe on March 31, 2008, and has included associated financial results for the month of April 2008 in the Company's consolidated financial statements for the period ended April 30, 2008. Since closing the acquisition, the Company has undertaken certain initiatives to align Cieffe's Italian GAAP oriented controls, policies and procedures with those of the Company and the Company plans to transition Cieffe to the Company's financial business system during the first six months of fiscal 2009. The Company is continuing the process of reviewing the design of ICFR at Cieffe and to date is not aware of any material weaknesses. Through this continued review process, the Company anticipates implementing further changes to enhance Cieffe's ICFR. Cieffe constituted approximately \$1.0 million of the Company's revenues in the fourth quarter and fiscal year ended April 30, 2008.

March Networks Corporation
Management's Discussion and Analysis
For the three months and fiscal year ended April 30, 2008

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information of the Company for each of the nine quarters up to and including the quarter ended April 30, 2008. In the opinion of management, this information has been prepared on the same basis as the Company's audited consolidated financial statements and accompanying notes for the year ended April 30, 2008 and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and the notes to those statements. The operating results for any quarter should not be relied upon as any indication of results for any future period.

(Amounts in thousands, except share and per share data)	Fiscal Quarters Ended								
	2008				2007				2006
	Apr. 30, 2008	Jan. 31, 2008	Oct. 31, 2007	Jul. 31, 2007	Apr. 30, 2007	Jan. 31, 2007	Oct. 31, 2006	Jul. 31, 2006	Apr. 30, 2006
Revenue	\$21,052	\$21,099	\$27,713	\$24,546	\$19,815	\$18,678	\$26,320	\$22,807	\$21,448
Cost of revenue	<u>11,500</u>	<u>12,189</u>	<u>16,966</u>	<u>13,317</u>	<u>10,475</u>	<u>9,516</u>	<u>11,942</u>	<u>9,717</u>	<u>9,355</u>
Gross margin.....	9,552	8,910	10,747	11,229	9,340	9,162	14,378	13,090	12,093
Expenses									
Selling, marketing and support.....	5,479	3,952	3,949	4,022	4,140	3,944	4,543	3,507	3,015
Research and development, net	4,584	4,570	3,705	2,964	3,027	1,693	2,388	2,248	736
General and administrative	3,598	3,633	4,096	3,298	3,286	1,950	3,051	2,683	2,323
Stock-based compensation.....	446	704	805	805	291	411	451	332	178
Amortization of intangibles	399	137	137	137	136	137	138	28	—
Lawsuit settlement.....	—	—	—	—	—	—	<u>2,263</u>	—	—
Earnings (loss) before undernoted items	(4,954)	(4,086)	(1,945)	3	(1,540)	1,027	1,544	4,292	5,841
Interest and other income, net.....	<u>773</u>	<u>1,148</u>	<u>1,073</u>	<u>927</u>	<u>848</u>	<u>915</u>	<u>845</u>	<u>820</u>	<u>663</u>
Earnings (loss) before income taxes and discontinued operations	(4,181)	(2,938)	(872)	930	(692)	1,942	2,389	5,112	6,504
Income taxes - current	68	4	22	—	30	100	100	100	475
- future	<u>(1,125)</u>	<u>157</u>	<u>(228)</u>	<u>556</u>	<u>(278)</u>	<u>796</u>	<u>859</u>	<u>2,229</u>	<u>(25,803)</u>
Net earnings (loss) from continuing operations	(3,124)	(3,099)	(666)	374	(444)	1,046	1,430	2,783	31,832
Discontinued operations.....	—	—	—	—	<u>2</u>	<u>1,140</u>	<u>(2)</u>	<u>87</u>	<u>(1,259)</u>
Net earnings (loss)	<u>\$ (3,124)</u>	<u>\$ (3,099)</u>	<u>\$ (666)</u>	<u>\$ 374</u>	<u>\$ (442)</u>	<u>\$ 2,186</u>	<u>\$ 1,428</u>	<u>\$ 2,870</u>	<u>\$ 30,573</u>
Basic net earnings (loss) per share									
from continuing operations.....	\$ (0.18)	\$ (0.18)	\$ (0.04)	\$ 0.02	\$(0.03)	\$0.06	\$0.09	\$0.17	\$1.93
from discontinued operations.....	—	—	—	—	—	<u>0.07</u>	—	—	<u>(0.08)</u>
	<u>\$ (0.18)</u>	<u>\$ (0.18)</u>	<u>\$ (0.04)</u>	<u>\$ 0.02</u>	<u>\$ (0.03)</u>	<u>\$ 0.13</u>	<u>\$ 0.09</u>	<u>\$ 0.17</u>	<u>\$ 1.85</u>
Diluted net earnings (loss) per share, as restated ¹									
from continuing operations.....	\$(0.18)	\$(0.18)	\$(0.04)	\$0.02	\$(0.03)	\$0.06	\$0.08	\$0.16	\$1.76
from discontinued operations.....	—	—	—	—	—	<u>0.06</u>	—	—	<u>(0.07)</u>
	<u>\$(0.18)</u>	<u>\$(0.18)</u>	<u>\$(0.04)</u>	<u>\$0.02</u>	<u>\$(0.03)</u>	<u>\$0.12</u>	<u>\$0.08</u>	<u>\$0.16</u>	<u>\$1.69</u>
Weighted average common shares outstanding									
Basic	17,633,233	17,021,047	16,886,938	16,875,685	16,848,071	16,749,515	16,651,215	16,602,026	16,531,970
Diluted, as restated ¹	18,547,657	17,979,730	18,004,947	17,983,992	17,931,083	17,977,179	17,941,436	17,952,596	18,050,897

1. Diluted net earnings per share and diluted weighted average shares outstanding for fiscal quarters ending prior to April 30, 2007 have been restated to correct errors in the calculation of the dilutive impact of warrants and stock options during those periods.

Volatility of Operating Results

The Company's quarterly operating results have fluctuated in the past and may fluctuate significantly in the future depending on factors such as demand for the Company's products, the size and timing of orders, progress on implementation projects, the number, timing and significance of new product announcements by the Company and its competitors, the Company's ability to develop, introduce and market new and enhanced versions of products on a timely basis, the level of product and price competition, changes in operating expenses, changes in the Company's sales incentive strategy, sales personnel changes, the mix of direct and indirect sales, the mix of products sold and general economic factors, among others.

A significant portion of the Company's expenses is based on expectations of future revenue and, therefore, is relatively fixed in the short-term. Accordingly, if revenue levels are below expectations, operating results are likely to be adversely affected. As a result, the Company cautions that period-to-period comparisons of results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance.

Due to all of the foregoing factors, in any future period operating results may be below the expectations of public market analysts and investors. In such event, the price of the Company's common shares would likely be materially adversely affected. Although the Company has experienced growth in revenue in recent years, there can be no assurance that in the future the Company will sustain revenue growth.