MITEL NETWORKS CORP
Form 20-F/A
November 21, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F/A

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended April 30, 2007

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission file number: 0-49984

MITEL NETWORKS CORPORATION / CORPORATION MITEL NETWORKS
(Exact name of Registrant as specified in its charter)

MITEL NETWORKS CORPORATION
(Translation of Registrant s name into English)

Canada
(Jurisdiction of incorporation or organization)

350 Legget Drive
Ottawa, Ontario, Canada K2K 2W7
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:
None

Securities registered or to be registered pursuant to Section 12(g) of the Act:
Common Shares, Without Par Value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 117,343,736 Common Shares, 20,000,000 Class A Convertible Preferred Shares, Series 1, and 67,789,300 Class B Convertible Preferred Shares, Series 1.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 þ Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

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EXPLANATORY NOTE

Mitel Networks Corporation (Mitel) filed its Annual Report of Form 20-F for the fiscal year ended April 31, 2007 (the Form 20-F) with the Securities and Exchange Commission (SEC) on October 24, 2007.

This Amendment No. 1 to Mitel s Form 20-F (the Amendment) is filed to provide a single page that was inadvertently omitted in Item 3 of the Form 20-F as filed electronically with the SEC via the EDGAR system on October 24, 2007.

Other than the foregoing, no part of Mitel s Form 20-F filed on October 24, 2007, is being amended, and no part of the Form 20-F or of Item 3 as re-filed pursuant to this Amendment speaks as of any date subsequent to October 24, 2007.

Accordingly, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, Mitel hereby amends Item 3 of its Form 20-F in its entirely and replaces it with the following:

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Item 3	Key Information	1
Item 19	Exhibits	
Signatures		

EX-12.1: CERTIFICATION
EX-12.2: CERTIFICATION
EX-13.1: CERTIFICATION
EX-13.2: CERTIFICATION

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Item 3. ***Key Information***

A. Selected Financial Data

The following sets forth selected financial information derived from our audited consolidated financial statements as of and for the fiscal years ended April 27, 2003 (fiscal 2003), April 25, 2004 (fiscal 2004), April 24, 2005 (fiscal 2005); for the six day transition period from April 25, 2005 to April 30, 2005 (the Transition Period); and for the fiscal years ended April 30, 2006 (fiscal 2006) and April 30, 2007 (fiscal 2007). The selected financial information may not be indicative of our future performance and should be read in conjunction with Item 5 Operating and Financial Review and Prospects and the consolidated financial statements and the notes attached to the financial statements included elsewhere in this annual report. See Item 8 Financial Information and Item 17 Financial Statements .

STATEMENT OF OPERATIONS DATA

		Fiscal Year Ended		Six Days Ended	Fiscal Year Ended	
	April 27, 2003	April 25, 2004	April 24, 2005	April 30, 2005	April 30, 2006	April 30, 2007
	(In millions, except share and per share data)					
Consolidated Statement of Operations Data						
Revenues	$ 352.2	$ 340.7	$ 342.2	$ 3.2	$ 387.1	$ 384.9
Cost of revenues	225.4	202.9	213.2	2.4	225.7	225.1
Gross margin	126.8	137.8	129.0	0.8	161.4	159.8
Expenses Research and development	41.2	36.2	41.4	0.7	44.1	41.7
Selling, general and administrative	114.9	111.4	114.9	1.8	120.7	123.5
Special charges(1)	13.7	11.7	10.6		5.7	9.3
Litigation settlement						16.3
Initial public offering costs						3.3
Loss (gain) on disposal of assets		0.6	3.4		(2.4)	(1.0)
Amortization of acquired intangibles(2)	29.1	0.2				
Operating loss	(72.1)	(22.3)	(41.3)	(1.7)	(6.7)	(33.3)
Other (income) expense, net	0.9	8.0	7.5	(0.1)	39.8	(0.1)
Income tax (recovery) expense	(2.9)	0.3	0.8		(1.9)	1.8

Net loss	$	(70.1)	$	(30.6)	$	(49.6)	$	(1.6)	$	(44.6)	$	(35.0)
Net loss per common share Basic and diluted	$	(0.63)	$	(0.26)	$	(0.49)	$	(0.01)	$	(0.44)	$	(0.36)
Weighted average number of Common Shares outstanding		113,109,751		127,831,211		113,792,829		117,149,933		117,230,198		117,336,927

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BALANCE SHEET DATA

	As at April 27, 2003	As at April 25, 2004	As at April 24, 2005	As at April 30, 2005	As at April 30, 2006	As at April 30, 2007
			(In millions)			
Consolidated Balance Sheet Data						
Cash and cash equivalents	$ 22.3	$ 26.7	$ 9.7	$ 46.6	$ 35.7	$ 33.5
Other current assets	120.6	115.0	117.5	115.8	130.8	136.9
Property and equipment	25.3	20.3	20.9	20.6	17.4	16.5
Other assets	7.3	7.4	8.5	12.3	15.9	15.3
Total assets	$ 175.5	$ 169.4	$ 156.6	$ 195.3	$ 199.8	$ 202.2
Current liabilities	$ 135.8	$ 103.2	$ 115.8	$ 101.9	$ 126.0	$ 143.8
Long-term debt	23.1	15.5	20.2	66.7	56.7	66.8
Derivative instruments(3)(5)		29.2	38.0	37.4	75.9	67.3
Other long-term liabilities	24.6	24.8	25.4	25.1	45.6	55.4
Redeemable shares(4)(5)	29.0	51.3	57.2	57.3	64.2	71.5
Capital stock	183.4	184.8	187.6	187.6	188.8	189.1
Other capital accounts	(2.2)	7.7	14.7	23.3	(1.9)	6.5
Accumulated deficit	(218.2)	(247.1)	(302.3)	(304.0)	(355.5)	(398.2)
Total liabilities and shareholders equity	$ 175.5	$ 169.4	$ 156.6	$ 195.3	$ 199.8	$ 202.2

(1) Special charges related to restructuring activities, product line exit and other loss accruals undertaken to improve our operational efficiency and to realign our business.

(2) Acquired intangible assets relating to the acquisition of the Mitel name, certain assets and subsidiaries from Zarlink Semiconductor Inc. in 2001 were fully amortized in 2004.

(3) The derivative instruments related to our Class A Series 1 Preferred Shares (the Series A Preferred Shares) and the Class B Series 1 Preferred Shares (the Series B Preferred Shares). The derivative instruments arose because a portion of the redemption price of the Series A Preferred Shares and Series B Preferred Shares is indexed to our common share price and as required by SFAS 133 has been bifurcated and accounted for separately.

(4) Redeemable shares included 10,000,000 Common Shares (which are redeemable by virtue of a shareholders agreement dated April 23, 2004, as amended, among certain of our shareholders and us), 20,000,000 Series A Preferred Shares and 67,789,300 Series B Preferred Shares (See Item 6.A. Directors, Senior Management and Employees Directors and Senior Management).

(5) On August 16, 2007, in conjunction with the Merger (as defined below), we converted each existing Series A Preferred Share into Common Shares and Class 1 Preferred Shares, converted each existing Series B Preferred Share into Common Shares and purchased for cancellation the redeemable shares.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk Factors

An investment in our Common Shares should be regarded as highly speculative and is suitable only for those investors who are able to sustain a total loss of their investment. You should carefully consider the following risks, as

well as the other information contained in this annual report, when evaluating us and our business and prospects. Any of the following risks, as well as risks not currently known to us, could materially and adversely affect our business, results of operations or financial condition, and could result in a complete loss of your investment.

Risks Relating to our Business

We have incurred net losses since our incorporation in 2001 and we may not be profitable in the future.

We incurred a net loss of $35.0 million for fiscal 2007, and net losses of $44.6 million, $49.6 million, $30.6 million and $70.1 million in fiscal 2006, 2005, 2004 and 2003, respectively. We may not be able to achieve profitability or, if achieved, may not be able to sustain profitability. We have incurred restructuring charges in each of the previous six fiscal years, and may incur additional restructuring charges in the future. Our future success in attaining profitability and growing our revenues and market share for our solutions depends, among other things, upon our ability to develop and sell solutions that have a competitive advantage, to build our brand image and reputation, to attract orders from new and existing customers and to reduce our costs as a proportion of our revenue by, among other things, increasing efficiency in design, component sourcing, manufacturing and assembly cost processes.

We may fail to realize the anticipated cost savings, revenue enhancements and other benefits expected from our acquisition of Inter-Tel.

As part of the integration of Mitel and Inter-Tel following the acquisition, we are executing plans to consolidate sales, operations and support functions, including optimization of our supply chain and procurement structure, and to leverage our research and development and services across a larger base. These actions are expected to result in significant cost savings, opportunities for revenue synergies and other synergistic benefits.

Delays we encounter in the execution of our integration plans could have a material adverse effect on our revenues, expenses, operating results and financial condition. Although we expect significant benefits to result from the acquisition, there can be no assurance that we will actually realize these anticipated benefits.

Achieving the benefits of the acquisition will depend in part upon meeting the challenges inherent in the successful combination and integration of global business enterprises of the size and scope of Mitel and Inter-Tel and the possible resulting diversion of management attention for an extended period of time. There can be no assurance that we will meet these challenges and that such diversion will not negatively affect our operations.

Uncertainties associated with our integration and cost-reduction plans may cause a loss of employees and may otherwise materially adversely affect our future business and operations.

Our success is dependent upon the services of a number of key personnel throughout our organization, including members of our senior management and software and engineering staff, as well as the expertise of our directors. Competition for highly skilled directors, management, research and development and other key employees is intense in our industry and we may not be able to attract and retain highly qualified directors, management, research and development personnel and other key employees in the future. Our current and prospective employees may continue to experience uncertainty about their roles with us as we work through our integration associated with the acquisition. Further, management focus may be diverted in favour of integration requirements. This may materially adversely affect our ability to attract and retain key management, sales, marketing, operations, technical support and other personnel. Accordingly, no assurance can be given that we will be able to attract or retain our key employees to the same extent that we have been able to attract or retain our employees in the past.

A key component of our strategy is our focus on the development and marketing of IP-based communications solutions and related services, and this strategy may not be successful or may adversely affect our business.

We are focused on the development and sales of IP-based communications solutions. Our operating results may be adversely affected if the market opportunity for IP-based communications solutions and services does not develop in the way we anticipate. IP-based communications systems currently constitute a small percentage of global installed large enterprise telephony systems. If IP-based communications do not gain widespread acceptance in the marketplace and as an alternative replacement option for traditional business telephony systems, our overall revenues and operating results will be adversely affected. Because this market opportunity is in its early stages, we cannot predict whether:

the demand for IP-based communications solutions, value-added applications and services will grow as fast as we anticipate;

continuing reductions in long-distance and local toll charges may adversely affect sales of certain of our solutions to customers focused on those cost savings;

current or future competitors or new technologies will cause the market to evolve in a manner different than we expect;

other technologies will become more accepted or standard in our industry; or

we will be able to achieve a leadership or profitable position as this opportunity develops.

Our solutions may fail to keep pace with rapidly changing technology and evolving industry standards.

The markets for our solutions are competitive and characterized by rapidly changing technology, evolving industry standards, frequent new product introductions, short product life cycles and changing business models. Therefore, our operating results depend, among other things, on existing and emerging markets, our ability to develop and introduce new solutions, business processes and fulfillment models and our ability to reduce the production costs of existing solutions. The process of developing new technology and solutions is complex and uncertain, and if we fail to accurately predict and respond to our customers changing needs and emerging technological trends, our business could be harmed. We must commit significant resources to developing new solutions and processes before knowing whether our investments will result in solutions the market will accept. The success of new solutions depends on several factors, including new application and product definition, component costs, timely completion and introduction of these solutions, differentiation of new solutions from those of our competitors, and market acceptance of these solutions. We may not be able to successfully identify new market opportunities for our solutions, develop and bring new solutions to market in a timely manner, or achieve market acceptance of our solutions.

Because we depend primarily upon a small number of outside contract manufacturers to manufacture our products, our operations could be delayed or interrupted if we encounter problems with these contractors.

We do not have any internal manufacturing capabilities, and we rely upon a small number of contract manufacturers to manufacture our products. A large number of our products are currently manufactured by BreconRidge Manufacturing Solutions Corporation, a company of which Dr. Terence H. Matthews, one of our major shareholders and the chairman of our board of directors, has an approximate 27.1% ownership interest. Our manufacturing agreement with BreconRidge expires on December 31, 2007, and may or may not be renewed. Our ability to ship products to our customers could be delayed or interrupted as a result of a variety of factors relating to our contract manufacturers, including:

our contract manufacturers not being required to manufacture our products on a long-term basis in any specific quantity or at any specific price;

our failure to effectively manage our contract manufacturer relationships;

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- our contract manufacturers experiencing delays, disruptions or quality control problems in their manufacturing operations;
- lead-times for required materials and components varying significantly and being dependent on factors such as the specific supplier, contract terms and the demand for each component at a given time;
- overestimating our forecast requirements resulting in excess inventory and related carrying charges;
- underestimating our requirements, resulting in our contract manufacturers having inadequate materials and components required to produce our products, or overestimating our requirements, resulting in charges assessed by the contract manufacturers or liabilities for excess inventory, each of which could negatively affect our gross margins; and
- the possible absence of adequate capacity and reduced control over component availability, quality assurances, delivery schedules, manufacturing yields and costs.

The addition of manufacturing locations or other contract manufacturers would likely increase the complexity of our supply chain management. If any of our contract manufacturers are unable or unwilling to continue manufacturing our products in required volumes and quality levels, we will have to identify, qualify, select and implement acceptable alternative manufacturers, which would likely be time consuming and costly. In addition, alternate sources may not be available to us or may not be in a position to satisfy our production requirements at commercially reasonable prices and quality. Therefore, any significant interruption in manufacturing would result in us being unable to deliver the affected products to meet our customer orders.

We depend on sole source and limited source suppliers for key components. If these components are not available on a timely basis, or at all, we may not be able to meet scheduled product deliveries to our customers.

We depend on sole source and limited source suppliers for key components of our products. In addition, our contract manufacturers often acquire these components through purchase orders and may have no long-term commitments regarding supply or pricing from their suppliers. Lead-times for various components may lengthen, which may make certain components scarce. As component demand increases and lead-times become longer, our suppliers may increase component costs. We also depend on anticipated product orders to determine our materials requirements. Lead-times for limited-source materials and components can be as long as six months, vary significantly and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. From time to time, shortages in allocations of components have resulted in delays in filling orders. Shortages and delays in obtaining components in the future could impede our ability to meet customer orders. Any of these sole source or limited source suppliers could stop producing the components, cease operations entirely, or be acquired by, or enter into exclusive arrangements with, our competitors. As a result, these sole source and limited source suppliers may stop selling their components to our contract manufacturers at commercially reasonable prices, or at all. Any such interruption, delay or inability to obtain these components from alternate sources at acceptable prices and within a reasonable amount of time would adversely affect our ability to meet scheduled product deliveries to our customers and reduce margins realized.

Delay in the delivery of, or lack of access to, software or other intellectual property licensed from our suppliers could adversely affect our ability to develop and deliver our solutions on a timely and reliable basis.

Our business may be harmed by a delay in delivery of software applications from one or more of our suppliers. Many of our solutions are designed to include software or other intellectual property licensed from third parties. It may be

necessary in the future to seek or renew licenses relating to various components in our solutions. These licenses may not be available on acceptable terms, or at all. Moreover, the inclusion in our solutions of software or other intellectual property licensed from third parties on a non-exclusive basis could limit our ability to protect our proprietary rights to our solutions. Non-exclusive licenses also allow our suppliers to develop relationships with, and supply similar or the same software applications to, our competitors. Software licenses could terminate in the event of a bankruptcy or insolvency of a software supplier or other third party licensor. We have not entered into

source code escrow agreements with every software supplier or third party licensor. In the event that software suppliers or other third party licensors terminate their relationships with us, are unable to fill our orders on a timely basis or the licenses are otherwise terminated, we may be unable to deliver the affected products to meet our customer orders.

Our success is dependent on our intellectual property. Our inability or failure to protect our intellectual property could seriously harm our ability to compete and our financial success.

Our success depends on the intellectual property in the solutions and services that we develop and sell. We rely upon a combination of copyright, patent, trade secrets, trademarks, confidentiality procedures and contractual provisions to protect our proprietary technology. Our present protective measures may not be enforceable or adequate to prevent misappropriation of our technology or independent third-party development of the same or similar technology. Even if our patents are held valid and enforceable, others may be able to design around these patents or develop products competitive to our products but that are outside the scope of these patents.

We make use of some open source software code under various open source licenses available to the general public. A characteristic of an open source license is that it does not provide any indemnification to the licensee against third-party claims of intellectual property infringement. Some open source licenses require the licensee to disclose the licensee s source code derived from such open source code, and failure to comply with the terms of such licenses can result in the licensee being stopped from distributing products that contain the open source code or being forced to freely disseminate enhancements that were made to the open source code. Further, the use of open source software in our solutions may expose those solutions to security risks.

Many foreign jurisdictions offer less protection of intellectual property rights than Canada and the United States, and the protection provided to our proprietary technology by the laws of these and other foreign jurisdictions may not be sufficient to protect our technology. Preventing the unauthorized use of our proprietary technology may be difficult, time consuming and costly, in part because it may be difficult to discover unauthorized use by third parties. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of our proprietary rights, or to defend against claims of unenforceability or invalidity. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversion of management resources.

Our business may be harmed if we infringe intellectual property rights of third parties.

There is considerable patent and other intellectual property development activity in our industry. Our success depends, in part, upon our not infringing intellectual property rights owned by others. Our competitors, as well as a number of individuals, patent holding companies and consortiums, own, or claim to own, intellectual property relating to our industry. Aggressive patent litigation is not uncommon in our industry and can be disruptive. We cannot determine with certainty whether any existing third party patent, or the issuance of new third party patents, would require us to alter our solutions, obtain licenses or discontinue the sale of the affected applications and products. We have received notices, and we may receive additional notices, containing allegations that our solutions are subject to patents or other proprietary rights of third parties, including competitors, patent holding companies and consortiums. In addition, in July 2007, one of our competitors filed an answer and counterclaim in the United States District Court for the Eastern District of Texas (and has moved to have the case transferred to the Northern District of California) alleging that we are infringing one of its patents and requesting damages (treble damages in respect of alleged willful infringement of the patent), injunctive relief, attorney s fees, costs and expenses, and such further relief against us as the court deems just and proper. See Item 8.A. Financial Information Consolidated Statements and Other Financial Information Legal Proceedings for a more complete description of this proceeding.

Our success also depends, in part, upon our customers freedom to use our products. For example, certain claims have been asserted against end-users within our industry and demands for the payment of licensing fees have been made of end-users who have implemented our solutions. We generally agree to indemnify and defend our customers to the extent a claim for infringement is brought against our customers with respect to our solutions.

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Infringement claims (or claims for indemnification resulting from infringement claims) have been and may in the future be asserted or prosecuted against us or our customers by third parties. Some of these third parties, including competitors, patent holding companies and consortiums, have, or have access to, substantially greater resources than we do and may be better able to sustain the costs of complex patent litigation. Whether or not these claims have merit, we may be subject to costly and time-consuming legal proceedings, and this could divert our management s attention from operating our business. If these claims are successfully asserted against us, we could be required to pay substantial damages and could be prevented from selling some or all of our solutions. In addition, an infringer of a United States patent may be subject to treble damages and attorney s fees if the infringement is found to be willful. We may also be obligated to indemnify our business partners or customers in any such litigation. Furthermore, in order to resolve such proceedings, we may need to obtain licenses from third parties or substantially modify or rename our solutions in order to avoid infringement. Moreover, license agreements with third parties may not include all intellectual property rights that may be issued to or owned by the licensors, and future disputes with these parties are possible. In addition, we might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to modify or rename our solutions successfully. This could prevent us from selling some or all of our solutions. Current or future negotiations with third parties to establish license or cross license arrangements, or to renew existing licenses, may not be successful and we may not be able to obtain or renew a license on satisfactory terms, or at all. If required licenses cannot be obtained, or if existing licenses are not renewed, litigation could result. Any litigation relating to intellectual property rights, whether or not determined in our favor or settled by us, could at a minimum be costly and would divert the attention and efforts of management and our technical personnel. An adverse determination in any litigation or proceeding could prevent us from making, using or selling some or all of our solutions and subject us to damage assessments.

We rely on our channel partners for the majority of our sales, and disruptions to, or our failure to effectively develop and manage, our distribution channel and the processes and procedures that support it could adversely affect our ability to generate revenues.

Our future success is highly dependent upon establishing and maintaining successful relationships with a variety of channel partners. A substantial portion of our revenues is derived through our channel partners, most of which also sell our competitors products. Our revenues depend in part on the performance of these channel partners. The loss of or reduction in sales to these channel partners could materially reduce our revenues. Our competitors may in some cases be effective in causing resellers or potential resellers to favor their products or prevent or reduce sales of our solutions. If we fail to maintain relationships with these channel partners, fail to develop new relationships with channel partners in new markets or expand the number of channel partners in existing markets, or if we fail to manage, train or provide appropriate incentives to existing channel partners or if these channel partners are not successful in their sales efforts, sales of our solutions may decrease and our operating results would suffer.

The most likely potential channel partners for us are those businesses engaged in the voice and data communications business or the provision of communications software applications. Many potential channel partners in the voice communications business have established relationships with our competitors and may not be willing to invest the time and resources required to train their staff to effectively market our solutions and services. Potential channel partners engaged in the data and software applications communications businesses are less likely to have established relationships with our competitors, but where they are unfamiliar with the voice communications business, they may require substantially more training and other resources to be qualified to sell our solutions.

Design defects, errors, failures or bugs, which may be difficult to detect, may occur in our solutions.

We produce highly complex solutions that incorporate both hardware and software. Our software may contain bugs that can interfere with expected operations. Our pre-shipment testing and field trial programs may not be adequate to detect all defects in individual applications and products or systematic defects that could affect numerous shipments,

which might interfere with customer satisfaction, reduce sales opportunities or affect gross margins. In the past, we have had to replace certain components and provide remediation in response to the discovery of defects or bugs in solutions that we had shipped. Any future remediation may have a material impact

on our business. Our inability to cure an application or product defect could result in the failure of an application or product line, the temporary or permanent withdrawal from an application, product or market, damage to our reputation, inventory costs, or application or product re-engineering expenses. The sale and support of applications and products containing defects and errors may result in product liability claims and warranty claims. Our insurance may not cover or may be insufficient to cover claims that are successfully asserted against us or our contracted suppliers and manufacturers.

We face intense competition from many competitors and we may not be able to compete effectively against these competitors.

The market for our solutions is highly competitive. We compete against many companies, including Alcatel-Lucent, Avaya Inc., Cisco Systems, Inc., NEC Corporation , Nortel Networks Corporation, Panasonic Corporation, Shoretel, Inc., Siemens AG, Toshiba Corporation and 3Com Corp. In addition, because the market for our solutions is subject to rapidly changing technologies, we may face competition in the future from companies that do not currently compete in the business communications market, including companies that currently compete in other sectors of the information technology, communications or software industries, mobile communications companies, or communications companies that serve residential rather than business customers.

Several of our existing competitors have, and many of our future competitors may have, greater financial, personnel, research and other resources, more well-established brands or reputations and broader customer bases than we have. As a result, these competitors may be in a stronger position to respond more quickly to potential acquisitions and other market opportunities, new or emerging technologies and changes in customer requirements. Some of these competitors may also have customer bases that are more geographically balanced than ours and therefore may be less affected by an economic downturn in a particular region. Competitors with greater resources may also be able to offer lower prices, additional products or services or other incentives that we cannot match or do not offer. In addition, existing customers of data communications companies that compete against us may be more inclined to purchase business communications solutions from their current data communications vendor than from us. Also, as voice and data communications converge, we may face competition from systems integrators that were traditionally focused on data network integration. We cannot predict which competitors may enter our markets in the future, what form the competition may take or whether we will be able to respond effectively to the entry of new competitors or the rapid evolution in technology and product development that has characterized our markets. Competition from existing and potential market entrants may take many forms, including large bundled offerings that incorporate applications and products similar to those that we offer. If our competitors offer deep discounts on certain products or services in an effort to recapture or gain market share, we may be required to lower our prices or offer other favorable terms to compete effectively, which would reduce our margins and could adversely affect our operating results.

As voice and data networks converge, we are likely to face increased competition from companies in the information technology, personal and business applications and software industries.

The convergence of voice and data networks and their wider deployment by enterprises has led information technology and communication applications deployed on converged networks to become more integrated. This integration has created an opportunity for the leaders in information technology, personal and business applications and the software that connects the network infrastructure to those applications, to enter the telecommunications market and offer products that compete with our systems. Competition from these potential market entrants may take many forms, and they may offer products and applications similar to those we offer. Certain leaders in the information technology, personal and business applications and software industries, have substantial financial and other resources that they could devote to this market.

If competitors from the information technology, personal and business applications or software industries enter the telecommunications market, the market for IP telecommunications systems will become increasingly competitive.

If the solutions offered by competitors achieve substantial market penetration, we may not be able to maintain or improve our market position, and our failure to do so could materially and adversely affect our business and results of operations.

Our business may suffer if our strategic alliances are not successful.

We have a number of strategic alliances and continue to pursue strategic alliances with other companies in areas where collaboration can produce industry advancement and acceleration of new markets. The objectives and goals for a strategic alliance can include one or more of the following: technology exchange, product development, joint sales and marketing or new-market creation. If a strategic alliance fails to perform as expected or if the relationship is terminated, we could experience delays in product availability or impairment of our relationships with customers. In addition, we may face increased competition if a third party acquires one or more of our strategic partners or if our competitors enter into additional successful strategic relationships.

Our operations in international markets involve inherent risks that we may not be able to control.

We do business in over 90 countries and are increasing our activities in foreign jurisdictions. Accordingly, our future results could be materially and adversely affected by a variety of uncontrollable and changing factors relating to international business operations, including:

- political or social unrest or economic instability in a specific country or region;
- macroeconomic conditions adversely affecting geographies where we do business;
- higher costs of doing business in foreign countries;
- infringement claims on foreign patents, copyrights, or trademark rights;
- difficulties in managing operations across disparate geographic areas;
- difficulties associated with enforcing agreements and intellectual property rights through foreign legal systems;
- trade protection measures and other regulatory requirements which may affect our ability to import or export our products from or to various countries;
- adverse tax consequences;
- unexpected changes in legal and regulatory requirements;
- military conflict, terrorist activities, natural disasters and widespread medical epidemics; and
- our ability to recruit and retain channel partners in foreign jurisdictions.

Our competitive position may be affected by fluctuations in exchange rates, and our current currency hedging strategy may not be sufficient to counter such fluctuations.

A significant portion of our business is conducted, and a substantial portion of our operating expenses are payable, in currencies other than the U.S. dollar. Due to the substantial volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future sales and expenses. We use financial instruments, principally

forward exchange contracts, in our management of foreign currency exposure. These contracts primarily require us to purchase and sell certain foreign currencies with or for U.S. dollars at contracted rates. We may be exposed to a credit loss in the event of non-performance by the counterparties of these contracts. These financial instruments may not adequately manage our foreign currency exposure. Our results of operations could be adversely affected if we are unable to successfully manage currency fluctuations in the future.

Our quarterly and annual revenues and operating results have historically fluctuated, and the results of one period may not provide a reliable indicator of our future performance.

Our quarterly and annual revenues and operating results have historically fluctuated and are not necessarily indicative of results to be expected in future periods. A number of factors may cause our financial results to fluctuate significantly from period to period, including:

- the fact that an individual order or contract can represent a substantial amount of revenues for that period;
- the size, timing and shipment of individual orders;
- changes in pricing or discount levels by us or our competitors;
- foreign currency exchange rates;
- the mix and volume of products sold by us;
- the timing of the announcement, introduction and delivery of new products and/or product enhancements by us and our competitors; and
- general economic conditions.

As a result of the above factors, a quarterly or yearly comparison of our results of operations is not necessarily meaningful.

Our business requires a significant amount of cash, and we may require additional sources of funds if our sources of liquidity are unavailable or insufficient to fund our operations.

Our working capital requirements and cash flows have historically been, and our working capital requirements and cash flows are expected to continue to be, subject to quarterly and yearly fluctuations, depending on a number of factors. If we are unable to manage fluctuations in cash flow, our business, operating results and financial condition may be materially adversely affected. Factors which could lead us to suffer cash flow fluctuations include:

- the level of sales and the related margins on those sales;
- the collection of receivables;
- the timing and size of capital expenditures;
- the timing and size of purchase of inventory and related components;
- costs associated with potential restructuring actions;
- the timing and volume of sales of leases to third party funding sources;
- mergers and acquisitions; and
- customer financing obligations.

In order to finance our business, we expect to use available cash and to continue to have access to a $30 million revolving credit facility. However, our ability to draw on this facility will be conditioned upon our compliance with covenants contained in the credit agreement. There can be no assurance that we will be in compliance with the covenants required by our lenders in the future.

We may need to secure additional sources of funding if our cash, credit facility and borrowings are not available or are insufficient to finance our business. We cannot provide any assurance that such funding will be available on terms satisfactory to us. In addition, any proceeds from the issuance of equity or debt may be required to be used in whole or in part, to make mandatory payments under our First and/or Second Lien Credit agreements. If we were to incur higher levels of debt, we would require a larger portion of our operating cash flow to be used to pay principal and interest on our indebtedness. The increased use of cash to pay indebtedness could leave us with insufficient funds to finance our operating activities, such as research and development expenses and capital expenditures. In addition, debt instruments may contain covenants or other restrictions that affect our business

operations. If we were to raise additional funds by selling equity securities, the relative ownership of our existing investors could be diluted or the new investors could obtain terms more favorable than previous investors.

The exercise of conversion rights by one or more of our preferred shareholders, warrant holders, and option holders, could adversely affect the market value of our Common Shares as well as our ability to complete any future equity financing.

As at September 30, 2007, we had outstanding:

307,087 Class 1 Preferred Shares (Class 1 Preferred Shares). These Class 1 Preferred Shares are convertible into Common Shares at the option of the holders and upon certain triggering events. The conversion ratio 767.08 was as of September 28, 2007 and increases over time than one Common Share for each Class 1 Preferred Share;

Stock options to acquire 22,407,179 Common Shares; and

Warrants to acquire up to an additional 81,505,385 Common Shares.

The issuance of Common Shares upon the conversion of our Preferred Shares or the exercise of certain warrants or stock options may occur at a time when the conversion or exercise price is below the market value of our Common Shares. Therefore, the conversion or exercise of these securities will likely have a dilutive effect on the value of our Common Shares. The conversion or exercise of these securities will also result in us having more Common Shares outstanding, which would have a dilutive effect on our earnings per share. Furthermore, the Class 1 Preferred Shares, warrants and stock options, as well as the terms of these securities could materially impair our future ability to raise capital through an offering of equity securities. For additional information on these conversion and exercise rights, see Item 10.B. Additional Information Memorandum and Articles of Incorporation Share Capital .

We have a significant amount of debt, which contain customary default clauses, a breach of which may result in acceleration of the repayment of some or all of this debt.

On August 16, 2007, in connection with the acquisition of Inter-Tel, we borrowed $300 million under a 7 year term First Lien Credit Agreement and borrowed $130 million under a 8 year Second Lien Credit Agreement. In addition, as part of the transaction, we secured a 5 year, $30 million revolving credit facility, which remained unutilized as at September 30, 2007. All three of these credit agreements have customary default clauses. In the event we were to default on these credit agreements, and were unable to cure the default, the repayment of one or more of these credit agreements may be accelerated. If acceleration were to occur, we would be required to secure alternative sources of equity or debt financing to be able to repay the existing credit facilities. Alternative financing may not be available on terms satisfactory to us, or at all. If acceptable alternative financing were unavailable, we would have to consider alternatives to fund the repayment of the debt, which may include the sale of part or all of the business, the sale of which may occur at a distressed price.

We are exposed to risks inherent in our defined benefit pension plan.

We currently maintain a defined benefit pension plan, which was closed to new employees in June 2001, for a number of our past and present employees in the United Kingdom. The contributions to fund benefit obligations under this plan are based on actuarial valuations, which themselves are based on certain assumptions about the long-term operation of the plan, including employee turnover and retirement rates, the performance of the financial markets and interest rates. If the actual operation of the plan differs from these assumptions, additional contributions by us may be required. As of April 30, 2007, the projected benefit obligation of $173.9 million exceeded the fair value of the plan

assets of $123.4 million, resulting in a pension liability of $50.5 million. Changes to pension legislation in the United Kingdom may adversely affect our funding requirements.

Transfer pricing rules may adversely affect our income tax expenses.

We conduct business operations in various jurisdictions and through legal entities in Canada, the United States, the United Kingdom, Barbados and elsewhere. We and certain of our subsidiaries provide solutions and services to, and may from time to time undertake certain significant transactions with, other subsidiaries in different

jurisdictions. The tax laws of many of these jurisdictions, including Canada, have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm s length pricing principles, and contemporaneous documentation must exist to support this pricing. The taxation authorities in the jurisdictions where we carry on business, including the Canada Revenue Agency, the United States Internal Revenue Service and HM Revenue & Customs in the United Kingdom, could challenge our arm s length related party transfer pricing policies. International transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgment. If any of these taxation authorities are successful in challenging our transfer pricing policies, our income tax expense may be adversely affected and we could also be subjected to interest and penalty charges. Any increase in our income tax expense and related interest and penalties could have a significant impact on our future earnings and future cash flows.

Future changes in financial accounting standards could adversely affect our reported results of operations.

A change in accounting policies could have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New pronouncements and varying interpretations of pronouncements have occurred with frequency and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Governmental regulation could harm our operating results and future prospects.

Governments in a number of jurisdictions in which we conduct business have imposed export license requirements and restrictions on the import or export of some technologies, including some of the technologies used in our solutions. Changes in these or other laws or regulations could adversely affect our revenues. A number of governments also have laws and regulations that govern technical specifications for the provision of our solutions. Changes in these laws or regulations could adversely affect the sales of, decrease the demand for and increase the cost of, our solutions. For example, the Federal Communications Commission may issue regulatory pronouncements from time to time that may mandate new standards for our equipment in the United States. These pronouncements could require costly changes to our hardware and software. Additionally, certain government agencies currently require voice-over-Internet-Protocol products to be certified through a lengthy testing process. Other government agencies may adopt similar lengthy certification procedures which could delay the delivery of our products and adversely affect our revenues.

Specifically, on January 5, 2005, Inter-Tel received court approval of a civil settlement agreement (the Civil Settlement) and a criminal plea agreement (the Plea Agreement) with the United States of America, each dated as of December 8, 2004 and disclosed on that same date. The court approval of the Civil Settlement and Plea Agreement resolved the investigation of the Department of Justice into the participation of Inter-Tel Technologies, Inc. (Technologies), a wholly-owned subsidiary of Inter-Tel, in a federally administered E-Rate program to connect schools and libraries to the Internet. In connection with the Civil Settlement, Technologies paid a penalty of $6.7 million and forgave the collection of certain accounts receivable of $0.3 million related to Technologies participation in the E-Rate program. In connection with the Plea Agreement, Technologies entered guilty pleas to charges of mail fraud and an antitrust violation. Under the Plea Agreement, Technologies paid a fine of $1.7 million and is observing a three-year probationary period, which has, among other things, required Technologies to implement a comprehensive corporate compliance program. The existence and disclosure of the Civil Settlement and the Plea Agreement may have already caused and may cause future harm to Inter-Tel and, as a result of our acquisition of Inter-Tel, to us.

Our future success depends on our existing key personnel.

Our success is dependent upon the services of key personnel throughout our organization, including the members of our senior management and software and engineering staff, as well as the expertise of our directors. Competition for highly skilled directors, management, research and development and other employees is intense in our industry and we may not be able to attract and retain highly qualified directors, management, and research and development personnel and other key employees in the future. In order to improve productivity, a portion of our compensation to key employees and directors is in the form of stock option grants, and as a consequence, a

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depression in our value of our shares could make it difficult for us to motivate and retain employees and recruit additional qualified directors and personnel. The recent decision by the Financial Accounting Standards Board regarding the accounting treatment of stock options as compensation expense could lead to a reduction in our use of stock options as an incentive and retention tool. We currently do not maintain corporate life insurance policies on the lives of our directors or any of our key employees.

We may make further strategic acquisitions in the future. We may not be successful in operating or integrating these acquisitions.

As part of our business strategy, we will consider further acquisitions of, or significant investments in, businesses that offer products, services and technologies complementary to ours. These acquisitions could materially adversely affect our operating results and the price of our Common Shares. Acquisitions involve significant risks and uncertainties, including:

unanticipated costs and liabilities;

difficulties in integrating new products, software, businesses, operations, technology infrastructure and personnel in an efficient and effective manner;

difficulties in maintaining customer relations;

the potential loss of key employees of the acquired businesses or our key employees;

the diversion of the attention of our senior management from the operation of our daily business;

the potential adverse effect on our cash position as a result of all or a portion of an acquisition purchase price being paid in cash;

the potential issuance of securities that would dilute our shareholders percentage ownership;

the inability to maintain uniform standards, controls, policies and procedures; and

fluctuations in interests rates, and the timing and volume of sales of leases to third party funding sources.

Our inability to successfully operate and integrate newly acquired businesses appropriately, effectively and in a timely manner could have a material adverse effect on our ability to take advantage of future growth opportunities and other advances in technology, as well as on our revenues, gross margins and expenses.

The costs and risks associated with Sarbanes-Oxley regulatory compliance may have a material adverse effect on us.

We will be required to document and test our internal controls over financial reporting pursuant to Section 404 of the United States Sarbanes-Oxley Act of 2002, so that our management can certify as to the effectiveness of our internal controls for the year ended April 30, 2008. As a result, we will be required to assess and/or improve our financial and managerial controls, reporting systems and procedures, and we will incur substantial expenses to test our systems and controls, incur expenses associated with an independent registered accounting firm report on our controls, as well as ongoing compliance costs. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render an opinion on management s assessment and on the effectiveness of our internal controls over financial reporting, or if significant deficiencies or material weaknesses in

our internal controls are identified, we could be subject to regulatory scrutiny and a loss of public confidence.

Business interruptions could adversely affect our operations.

Our operations are vulnerable to interruption by fire, earthquake or other natural disaster, power loss, computer viruses, security breaches, telecommunications failure, quarantines, national catastrophe, terrorist activities, war and other events beyond our control. We do not have a fully implemented detailed business continuity plan. There can be no assurance that the coverage or limits of our business interruption insurance will be sufficient to compensate for any losses or damages that may occur.

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Risks Related to an Investment in our Common Shares

There are significant restrictions on the resale of our securities and there can be no assurance as to when such restrictions will cease to apply, if ever.

There is presently no public market through which our securities may be sold or resold. Our securities are not listed for trading on any stock exchange, and there is no guarantee that any such listing will be completed in the future. None of our securities have been registered under the United States *Securities Act of 1933* , as amended (the Securities Act) or the securities laws of any of the states of the United States and are restricted securities as defined under the rules of the Securities Act, which may not be transferred to a U.S. person except pursuant to registration under the Securities Act, or pursuant to an available exemption from registration under the Securities Act. Canadian provincial securities laws also restrict the transfer of our securities, unless an exemption from the prospectus requirements is available in respect of such transfer, at least until the time we become a reporting issuer in a province of Canada. In addition, our articles currently contain restrictions on the transfer of our Common Shares. Investors may be unable to liquidate an investment in our securities, whether or not a listing is subsequently affected. An investor should not purchase our securities unless such investor is able to endure a lack of liquidity and/or withstand a total loss of his or her investment.

Each of Francisco Partners and Dr. Matthews is a significant shareholder and each has the potential to exercise significant influence over matters requiring approval by our shareholders.

Francisco Partners group and Dr. Matthews group beneficially hold 41.5% and 38.7%, respectively, of the voting power of our share capital as of September 30, 2007, as further disclosed in Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders and Item 7.B. Major Shareholders and Related Party Transactions Related Party Transactions . Francisco Partners has the right to nominate four members to our board of directors, Dr. Matthews has the right to nominate three members and Dr. Matthews is also the chairman of our board. Each of Francisco Partners and Dr. Matthews, given the extent of their respective ownership positions, have the potential to control matters requiring approval by shareholders, including the election of directors, any amendments to our articles of incorporation or by-laws, and significant corporate transactions. Each of Francisco Partners and Dr. Matthews may have interests that differ from the interests of our other shareholders.

Each of Francisco Partners and Dr. Matthews ownership of our Common Shares, as well as provisions contained in our articles of incorporation and Canadian law, may reduce the likelihood of a change of control occurring and, as a consequence, may deprive you of the opportunity to sell your Common Shares at a control premium.

The voting power of Francisco Partners and Dr. Matthews, respectively, under certain circumstances, could have the effect of delaying or preventing a change of control and may deprive our shareholders of the opportunity to sell their Common Shares at a control premium. In addition, provisions of our articles of incorporation and Canadian law may delay or impede a change of control transaction. Our articles of incorporation permit us to issue an unlimited number of common and preferred shares. Limitations on the ability to acquire and hold our Common Shares may be imposed under the *Competition Act* (Canada). This legislation permits the Commissioner of Competition of Canada to review any acquisition of or control over a significant interest in us and grants the Commissioner jurisdiction to challenge such an acquisition before the Canadian Competition Tribunal on the basis that it would, or would be likely to, result in a substantial prevention or lessening of competition in any market in Canada. In addition, the *Investment Canada Act* subjects an acquisition of control of a Canadian business (as that term is defined therein) by a non-Canadian to government review if the value of assets acquired as calculated pursuant to the legislation exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant minister is satisfied that the investment is likely to be a net benefit to Canada (see Item 10.B. Additional Information Exchange Controls). Any of the foregoing could

prevent or delay a change of control and may deprive our shareholders of the opportunity to sell their Common Shares at a control premium.

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You may be unable to bring actions or enforce judgments against us, certain of our directors and officers, certain of the selling shareholders or our independent public accounting firm under U.S. federal securities laws.

We are incorporated under the laws of Canada, and our principal executive offices are located in Canada. A majority of our directors and officers, certain of our significant shareholders and our independent public accounting firm reside principally in Canada and all or a substantial portion of our assets and the assets of these persons are located outside the United States. Consequently, it may not be possible for you to effect service of process within the United States upon us or those persons. Furthermore, it may not be possible for you to enforce judgments obtained in U.S. courts based upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States against us or those persons. There is doubt as to the enforceability in original actions in Canadian courts of liabilities based upon the U.S. federal securities laws, and as to the enforceability in Canadian courts of judgments of U.S. courts obtained in actions based upon the civil liability provisions of the U.S. federal securities laws.

U.S. investors will suffer adverse United States federal income tax consequences if we are characterized as a passive foreign investment company.

If, for any taxable year, we are treated as a passive foreign investment company, or PFIC, as defined under Section 1297 of the Internal Revenue Code, then U.S. Holders (see Item 10.E. Additional Information Taxation United States Federal Income Tax Considerations) would be subject to adverse United States federal income tax consequences. Rather than being subject to these adverse tax consequences, U.S. Holders may be able to make a mark-to-market election, which could require the inclusion of amounts in income of a U.S. Holder annually, even in the absence of distributions with respect to, or the disposition of, our Common Shares. We do not believe that we are a PFIC, nor do we anticipate that we will become a PFIC in the foreseeable future. However, we cannot assure you that the Internal Revenue Service will not successfully challenge our position or that we will not become a PFIC in a future taxable year, as PFIC status is re-tested each year and depends on our assets and income in such year. For a more detailed discussion of the PFIC rules, see Item 10.E. Additional Information Taxation United States Federal Income Tax Considerations Passive Foreign Investment Company Considerations .

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements of filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MITEL NETWORK CORPORATION

/s/ Donald W. Smith
Name: Donald W. Smith
Title: Chief Executive Officer