

Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three month and Six month periods ended October 31, 2011 and 2010
(Unaudited)

MANAGEMENT REPORT

The management of Evertz Technologies Limited (“the Company”) is responsible for the preparation of the accompanying interim condensed consolidated financial statements. The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

These interim condensed consolidated financial statements have not been reviewed by the auditor. These interim condensed consolidated financial statements are unaudited and include all adjustment, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

EVERTZ TECHNOLOGIES LIMITED

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(Unaudited)

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EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(unaudited)

As at October 31, 2011 and April 30, 2011

(In thousands of Canadian dollars)

	October 31, 2011	April 30, 2011
Assets		
Current assets		
Cash	\$ 174,240	\$ 175,835
Instruments held for trading	12,076	16,190
Trade and other receivables	57,755	52,732
Inventories	104,050	106,422
Income tax receivable	3,554	2,014
	<u>\$ 351,675</u>	<u>\$ 353,193</u>
Property, Plant and Equipment (note 4)	\$ 37,113	\$ 37,627
Goodwill (note 6)	17,951	17,467
Intangible assets (note 5)	1,623	2,224
	<u>\$ 408,362</u>	<u>\$ 410,511</u>
Liabilities		
Trade and other payables	\$ 20,005	\$ 21,814
Provisions (note 7)	1,244	1,235
Deferred revenue	6,324	3,664
Current portion of long term debt	477	451
	<u>\$ 28,050</u>	<u>\$ 27,164</u>
Long term debt	\$ 2,178	\$ 2,493
Deferred taxes	5,333	7,095
	<u>\$ 35,561</u>	<u>\$ 36,752</u>
Equity		
Capital stock (note 8)	\$ 64,377	\$ 58,882
Contributed surplus	13,655	13,762
Accumulated other comprehensive income	558	440
Retained earnings	292,910	299,125
	<u>\$ 293,468</u>	<u>\$ 299,565</u>
Total equity attributable to shareholders	371,500	372,209
Non-controlling Interest	1,301	1,550
	<u>372,801</u>	<u>373,759</u>
	<u>\$ 408,362</u>	<u>\$ 410,511</u>

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Six month period ended October 31, 2011 and 2010
(In thousands of Canadian dollars)

	Capital Stock	Contributed surplus	Foreign currency translation adjustment	Retained earnings	Total equity attributable to shareholders	Non- controlling interest	Total Equity
Balance at May 1, 2010	\$ 51,035	\$ 12,183	\$ -	\$ 249,554	\$ 312,772	\$ 1,408	\$ 314,180
Net earnings for the period	-	-	-	41,142	41,142	336	41,478
Dividends declared	-	-	-	(13,279)	(13,279)	(400)	(13,679)
Compensation expense related to stock options	-	1,833	-	-	1,833	-	1,833
Exercise of employee stock options	1,934	-	-	-	1,934	-	1,934
Transfer of stock option exercise	524	(524)	-	-	-	-	-
Foreign currency translation adjustment	-	-	561	-	561	-	561
Balance at October 31, 2010	\$ 53,493	\$ 13,492	\$ 561	\$ 277,417	\$ 344,963	\$ 1,344	\$ 346,307
Net earnings for the period	-	-	-	36,572	36,572	209	36,781
Dividends declared	-	-	-	(14,864)	(14,864)	-	(14,864)
Compensation expense related to stock options	-	1,963	-	-	1,963	-	1,963
Exercise of employee stock options	3,696	-	-	-	3,696	-	3,696
Transfer of stock option exercise	1,693	(1,693)	-	-	-	-	-
Foreign currency translation adjustment	-	-	(121)	-	(121)	(3)	(124)
Balance at April 30, 2011	\$ 58,882	\$ 13,762	\$ 440	\$ 299,125	\$ 372,209	\$ 1,550	\$ 373,759
Net earnings for the period	-	-	-	33,523	33,523	198	33,721
Dividends declared	-	-	-	(17,820)	(17,820)	(400)	(18,220)
Compensation expense related to stock options	-	1,424	-	-	1,424	-	1,424
Exercise of employee stock options	5,428	-	-	-	5,428	-	5,428
Transfer of stock option exercise	1,531	(1,531)	-	-	-	-	-
Repurchase of common shares	(1,464)	-	-	(21,918)	(23,382)	-	(23,382)
Foreign currency translation adjustment	-	-	118	-	118	(47)	71
Balance at October 31, 2011	\$ 64,377	\$ 13,655	\$ 558	\$ 292,910	\$ 371,500	\$ 1,301	\$ 372,801

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings
(Unaudited)

Three month and six month periods ended October 31, 2011 and 2010
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Revenue	\$ 70,487	\$ 82,327	\$ 145,615	\$ 156,143
Cost of goods sold	30,111	34,688	62,392	65,506
Gross margin	40,376	47,639	83,223	90,637
Expenses				
Selling, administrative and general (note 9)	13,528	10,526	25,219	20,152
Research and development	10,041	8,221	20,360	16,243
Investment tax credits	(2,454)	(1,876)	(4,736)	(3,881)
Foreign exchange gain	(2,722)	(356)	(3,065)	(943)
	18,393	16,515	37,778	31,571
Earnings before undernoted	21,983	31,124	45,445	59,066
Finance income	453	291	876	529
Finance costs	(46)	(46)	(97)	(77)
Other income and expenses	(242)	(2,220)	(225)	(1,507)
Earnings before income taxes	22,148	29,149	45,999	58,011
Provision for (recovery of) income taxes				
Current	6,126	7,399	13,481	16,878
Deferred	(75)	822	(1,203)	(345)
	6,051	8,221	12,278	16,533
Net earnings for the period	\$ 16,097	\$ 20,928	\$ 33,721	\$ 41,478
Net earnings attributable to non-controlling interest	101	194	198	336
Net earnings attributable to shareholders	15,996	20,734	33,523	41,142
Net earnings for the period	\$ 16,097	\$ 20,928	\$ 33,721	\$ 41,478
Earnings per share (note 14)				
Basic	\$ 0.22	\$ 0.28	\$ 0.45	\$ 0.56
Diluted	\$ 0.22	\$ 0.28	\$ 0.45	\$ 0.56

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

Three month and six month periods ended October 31, 2011 and 2010
(In thousands of Canadian dollars)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Net earnings for the period	\$ 16,097	\$ 20,928	\$ 33,721	\$ 41,478
Translation of self-sustaining operations	452	169	71	561
Comprehensive income	\$ 16,549	\$ 21,097	\$ 33,792	\$ 42,039
Comprehensive income attributable to non-controlling interest	\$ 137	\$ 194	\$ 151	\$ 336
Comprehensive income attributable to shareholders	\$ 16,412	\$ 20,903	\$ 33,641	\$ 41,703
Comprehensive income	\$ 16,549	\$ 21,097	\$ 33,792	\$ 42,039

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three month and six month periods ended October 31, 2011 and 2010
(In thousands of Canadian dollars)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Operating activities				
Net earnings	\$ 16,097	\$ 20,928	\$ 33,721	\$ 41,478
Add: Items not involving cash				
Depreciation of property, plant and equipment	1,762	1,736	3,479	3,551
Amortization of intangible assets	309	219	616	438
(Gain) loss on instruments held for trading	(36)	1,875	(19)	1,154
Loss on disposal of property, plant and equipment	121	571	104	578
Share-based compensation	791	962	1,424	1,833
Deferred income tax expense	(75)	783	(1,203)	(345)
	18,969	27,074	38,122	48,687
Changes in non-cash working capital items (note 10)	3,298	(17,529)	(3,305)	(27,344)
Cash provided by operating activities	22,267	9,545	34,817	21,343
Investing activities				
Proceeds from disposal of instruments held for trading	-	550	4,133	550
Acquisition of property, plant and equipment	(3,447)	(892)	(4,106)	(1,667)
Proceeds from disposal of property, plant and equipment	179	613	196	631
Cash (used in) provided by investing activities	(3,268)	271	223	(486)
Financing activities				
Repayment of long term debt	(155)	(129)	(248)	(270)
Dividends paid	(8,816)	(7,388)	(17,820)	(13,279)
Dividends paid by subsidiaries to non-controlling interests	-	-	(400)	(400)
Capital stock repurchase	(3,701)	-	(23,382)	-
Capital stock issued	176	1,642	5,428	1,934
Cash used in financing activities	(12,496)	(5,875)	(36,422)	(12,015)
Effect of exchange rates on cash	(208)	(694)	(213)	(506)
Increase (decrease) in cash	6,295	3,246	(1,595)	8,336
Cash beginning of period	167,945	138,845	175,835	133,755
Cash end of period	\$ 174,240	\$ 142,091	\$ 174,240	\$ 142,091

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Interest paid	\$ 46	\$ 46	97	\$ 77
Income taxes paid	\$ 5,251	\$ 5,200	\$ 10,870	\$ 10,702

EVERTZ TECHNOLOGIES LIMITED

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Three month and six month periods ended October 31, 2011 and 2010
(in thousands of Canadian dollars, except for “number of common shares” and “number of options”)

Evertz Technologies Limited (“Evertz” or the “Company”) is incorporated under the *Canada Business Corporations Act*. The Company is incorporated and domiciled in Canada and the registered office is located at 5292 John Lucas Drive, Burlington, Ontario, Canada. The Company is a leading equipment provider to the television broadcast industry. The Company designs, manufactures and distributes video and audio infrastructure equipment for the production, post-production, broadcast and telecommunications markets.

1. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and under the IAS 34 “Interim Financial Reporting” and IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

Prior to the adoption of IFRS, the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Subject to certain transition elections disclosed in note 15, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at May 1, 2010 (the “transition date”) and throughout all periods presented, as if these policies had always been in effect. Note 15 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended April 30, 2011, reported in accordance with Canadian GAAP.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 6, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

Outlined below are those policies considered particularly significant:

Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

Note #2 continued ...

Basis of Consolidation

These financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of are included in the interim condensed consolidated statements of earnings and comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-Company transactions, balances, income and expenses are eliminated in full on consolidation.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in earnings as incurred. Any contingent consideration is measured at fair value on date of the acquisition and is included as part of the consideration transferred. The fair value of the contingent consideration liability is re-measured at each reporting date with corresponding gain/loss recognized in earnings. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill.

On an acquisition by acquisition basis, any non-controlling interest is measured either at the fair value of the non-controlling interest or at the fair value of the proportionate share of the net identifiable assets acquired. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable, net of discounts and after eliminating intercompany sales.

Where revenue arrangements have separately identifiable components, the consideration received is allocated to each identifiable component and the applicable revenue recognition criteria are applied to each of the components.

Revenue is derived from the sale of hardware and software solutions including related services, training and commissioning. Revenue from sales of hardware and software are recognized upon shipment, provided that the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, revenue can be reliably measured and its probable that the economic benefits will flow to the Company. Service revenue is recognized as services are performed

Certain of the Company's contracts are long-term in nature. When the outcome of the contract can be assessed reliably, the Company recognizes revenue on long-term contracts using the percentage of completion method, based on costs incurred relative to the estimated total contract costs. When the outcome of the contract cannot be assessed reliably contract costs incurred are immediately expensed and revenue is recognized only to the extent that costs are considered likely to be recovered.

Note #2 continued ...

Interest revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

Inventories consist of raw materials, work in progress and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes raw materials, the cost of direct labour applied to the product and the overhead expense.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment loss. Where the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is calculated based on depreciable amounts which is the cost of an asset less residual value and is recognized in earnings on a straight-line basis over the estimated useful life of the related asset. Borrowing costs are capitalized to the cost of qualifying assets that take a substantial period of time to be ready for their intended use.

The estimated useful lives are as follows:

Asset	Basis	Rate
Office furniture and equipment	Straight-line	10 years
Research and development equipment	Straight-line	5 years
Machinery and equipment	Straight-line	5 - 15 years
Leaseholds	Straight-line	5 years
Building	Straight-line	10 - 40 years
Airplanes	Straight-line	10 - 20 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in earnings.

The Company reviews the residual value, estimated useful life and the depreciation method at each reporting period.

Impairment of non-financial assets

Goodwill is tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may be less than its recoverable amount. At each reporting period, the Company reviews the carrying amounts of its other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are largely independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Goodwill is allocated to a Company of CGU's based on the level at which it is monitored for internal reporting purposes.

Note #2 continued ...

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments or the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss relating to a CGU, to which goodwill has been allocated, is allocated to the carrying amount of the goodwill first. An impairment loss is recognized immediately in earnings.

An impairment loss in respect of goodwill is not reversed. Where an impairment loss subsequently reverses for other non-financial assets, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in earnings.

Intangible Assets

Intangible assets

Intangibles represent intellectual property acquired through business acquisitions and are recorded at cost less any impairment loss and are amortized using the straight-line method over a four-year period. The estimated useful life and amortization method are reviewed at the end of each reporting period.

Research and development

All research and development expenditures are expensed as incurred unless a development project meets the criteria for capitalization. Development expenditures are capitalized only if development costs can be measured reliably, the product of process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No internally generated intangible assets have been recognized to date.

Research and development expenditures are reduced by investment tax credits and related government grants. Investment tax credits for scientific research and experimental development are recognized in the period the qualifying expenditures are incurred if there is reasonable assurance that they will be realized.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Note #2 continued ...

Leasing

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

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of financial position as a finance lease obligation.

Rentals payable under operating leases are charged to earnings on a straight-line basis over the term of the relevant lease.

Foreign Currency Translation

The individual financial statements of each Company entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of each group entity are expressed in Canadian dollars ('CDN'), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized in earnings in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Foreign currency gains and losses are recognized in other comprehensive income. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition or partial disposition of a foreign operation and attributed to non-controlling interests as appropriate.

Income Taxes

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net earnings as reported in the statement of earnings because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on unused tax losses and credits, as well as differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Note #2 continued ...

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited earnings, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Share Based Compensation

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 11.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the expected life of the option based on the Company's estimate of the number of equity instruments that will eventually vest. At each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in earnings such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. Contributed surplus consists solely of the cumulative share based payments reserve.

Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the net earnings attributable to shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, which comprise of share options granted to employees with an exercise price below the average market price.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in earnings in the period in which they are incurred.

Investment Tax Credits

The Company is entitled to investment tax credits, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits relate entirely to the Company's research and development expenses in the consolidated statement of earnings but are presented separately in the consolidated statement of earnings for information purposes.

Note #2 continued ...

Financial Instruments

The Company's financial assets and liabilities which are initially recorded at fair value and subsequently measured based on their assigned classifications as follows:

<u>Asset/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Loans and receivable	Amortized cost
Instruments held for trading	Fair value through profit or loss	Fair value
Accounts receivable	Loans and receivable	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Current portion of long term debt	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost
Contingent consideration	Fair value through profit or loss	Fair value

Financial Assets

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specific categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in earnings.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in earnings immediately. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in earnings.

Note #2 continued ...

Financial liabilities and equity instruments issued by the Company

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in earnings. The net gain or loss recognized in earnings incorporates any interest paid on the financial liability and is included in the “other income and expenses” line item in the interim condensed consolidated statements of earnings.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities, including long term debt, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Consequently, actual results could differ from those estimates. Those estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include the determination of the allowance for doubtful accounts for trade receivables, provision for inventory obsolescence, the useful life of property, plant and equipment for depreciation, amortization and evaluation of net recoverable amount of property, plant and equipment, determination of fair value for share-based compensation, evaluating deferred income tax assets and liabilities, the determination of fair value of financial instruments and the likelihood of recoverability determination of implied fair value of goodwill and implied fair value of assets and liabilities for purchase price allocation purposes and goodwill impairment test purposes.

Significant items requiring the use of judgment in application of accounting policies and assumptions include the determination of the Canadian dollar as the functional currency, classification of financial instruments, classification of leases, degree of componentization applied when calculating amortization of property, plant and equipment, and identification of cash generating units for impairment testing purposes.

Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. The Company reviewed its operations and determined that it operates a single reportable segment, the television broadcast equipment market. The single reportable operating segment derives its revenue from the sale of hardware and software solutions including related services, training and commissioning.

New and Revised IFRSs Issued but Not Yet Effective

Following is a listing of amendments, revisions and new International Financial Reporting Standards (IFRSs) issued but not effective until annual periods beginning after May 1, 2012. Unless otherwise indicated, earlier application is permitted.

Note #2 continued ...

Financial Instruments

IFRS 9 Financial instruments (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 9 on its financial statements.

Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements* (“IFRS 10”) establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation – Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. The Company has not yet determined the impact of IFRS 10 on its financial statements.

Joint Arrangements

IFRS 11, *Joint Arrangements* (“IFRS 11”) provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form as is currently the case. IFRS 11 replaces SIC-13, *Jointly Controlled Entities – Non-Monetary Contribution by Venturers* and IAS 31, *Interests in Joint Ventures*. The Company has not yet determined the impact of IFRS 11 on its financial statements.

Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”) is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company has not yet determined the impact of IFRS 12 on its financial statements.

Fair Value Measurements

IFRS 13, *Fair Value Measurements* (“IFRS 13”) provides new guidance on fair value measurement and disclosure requirements. The Company has not yet determined the impact of IFRS 13 on its financial statements.

Income Taxes

The amendments to IAS 12, *Income Taxes* (“IAS 12”) relate to the measurement of deferred taxes for investment property carried at fair value. The Company has not yet determined the impact of the changes to IAS 12 on its financial statements.

Note #2 continued ...

Presentation of Financial Statements

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), which are effective for annual periods beginning on or after July 1, 2012, are to be applied retroactively. The amendments require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company has not yet determined the impact of the changes to IAS 1 on its financial statements.

3. BUSINESS ACQUISITIONS

On December 3, 2010 the Company completed the purchase of 100% of the share capital of an international technology-based company for cash consideration of \$2,917, net of \$1,483 in cash acquired. The acquisition price includes \$1,600 in contingent consideration that the Company has determined beyond a reasonable doubt will be incurred. The acquisition was accounted for under the acquisition method and its operating results have been included in these financial statements since the date of acquisition. During fiscal 2011 the Company recognized \$172 of transaction costs in earnings relating to the acquisition.

The allocation of the purchase price is based on management's estimate of the fair value of assets acquired and liabilities assumed. The allocation of the purchase price was as follows:

Trade and other receivables	\$	2,203
Inventory		245
Income tax receivable		15
Trade and other payables		(1,109)
Deferred revenue		(2,526)
Property, plant and equipment		131
Intangibles - intellectual property		1,440
Deferred tax liability		(397)
Goodwill (not tax deductible)		2,915
	<u>\$</u>	<u>2,917</u>

The fair value of trade and other receivables was determined by netting \$2,579 in gross receivables with \$376 in receivables deemed uncollectable.

4. PROPERTY, PLANT AND EQUIPMENT

	October 31, 2011			April 30, 2011		
	Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
Office furniture and equipment	\$ 1,758	\$ 1,286	\$ 472	\$ 1,354	\$ 974	\$ 380
Research and development equipment	9,296	5,610	3,686	8,042	5,184	2,858
Airplanes	11,083	4,349	6,734	10,995	3,975	7,020
Machinery and equipment	39,834	23,261	16,573	38,157	21,400	16,757
Leaseholds	3,609	2,024	1,585	3,607	1,657	1,950
Land	1,684	-	1,684	1,557	-	1,557
Buildings	7,639	1,260	6,379	8,307	1,202	7,105
	<u>\$ 74,903</u>	<u>\$ 37,790</u>	<u>\$ 37,113</u>	<u>\$ 72,019</u>	<u>\$ 34,392</u>	<u>\$ 37,627</u>

5. INTANGIBLE ASSETS

	Intellectual property
Cost	
Balance as at April 30, 2011	\$ 7,848
Foreign exchange differences	19
Balance as at October 31, 2011	\$ 7,867
Accumulated Depreciation	
Balance as at April 30, 2011	\$ (5,624)
Amortization for the period	(616)
Foreign exchange differences	(4)
Balance as at October 31, 2011	\$ (6,244)
Carrying amounts	
At April 30, 2011	\$ 2,224
At October 31, 2011	\$ 1,623

6. GOODWILL

The changes in carrying amounts of goodwill are as follows:

Cost	
Balance as at April 30, 2011	\$ 17,467
Foreign exchange differences	484
Balance as at October 31, 2011	\$ 17,951

7. PROVISIONS

	Warranty & Returns	Lease/Retirement Obligations	Total
Balance as at April 30, 2011	\$ 766	\$ 469	\$ 1,235
Additions	-	2	2
Foreign exchange differences	(2)	9	7
Balance as at October 31, 2011	\$ 764	\$ 480	\$ 1,244

8. CAPITAL STOCK

Authorized capital stock consists of:
Unlimited number of preferred shares
Unlimited number of common shares

	Number of Common Shares	Amount
Balance as at May 1, 2010	73,607,506	\$ 51,035
Issued on exercise of stock options	863,100	5,630
Transferred from contributed surplus	-	2,217
Balance as at April 30, 2011	74,470,606	\$ 58,882
Issued on exercise of stock options	605,280	5,428
Cancelled pursuant to NCIB	(1,851,600)	(1,464)
Transferred from contributed surplus	-	1,531
Balance as at October 31, 2011	73,224,286	\$ 64,377

Normal Course Issuer Bid

In June 2011, the Company filed a Normal Course Issuer Bid (NCIB) with the TSX to repurchase, at the Company's discretion, until June 28, 2012 up to 3,751,717 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. During the first six months of fiscal 2012, the Company purchased and cancelled 1,851,600 common shares at a weighted average price of \$12.62 per share under the NCIB.

Dividends Per Share

During the quarter \$0.12 in dividends per share were declared.

9. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended October 31,		Six month period ended October 31,	
	2011	2010	2011	2010
Selling and administrative	\$ 11,739	\$ 9,015	\$ 22,121	\$ 17,209
Share-based compensation (note 11)	791	962	1,424	1,833
Depreciation of property, plant and equipment (non-production)	689	330	1,058	672
Amortization of intangibles	309	219	616	438
	\$ 13,528	\$ 10,526	\$ 25,219	\$ 20,152

10. STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Trade and other receivables	\$ 7,514	\$ (10,850)	\$ (4,975)	\$ (10,588)
Inventories	1,450	(4,721)	2,339	(14,950)
Income taxes receivable	(977)	547	(1,555)	2,526
Trade payable and accrued liabilities	(5,362)	(2,462)	(1,783)	(4,166)
Deferred revenue	662	(47)	2,660	(187)
Provisions	11	4	9	21
	\$ 3,298	\$ (17,529)	\$ (3,305)	\$ (27,344)

11. SHARE BASED PAYMENTS

The Company established, in June 2006, a stock option plan to attract, retain, motivate and compensate employees, officers and eligible directors who are integral to the growth and success of the Company. A number of shares equal to 10% of the Company's outstanding common shares are to be reserved for issuance under the stock option plan.

The Board of Directors administers the stock option plan and will determine the terms of any options granted. The exercise price of an option is to be set by the Board of Directors at the time of grant but shall not be lower than the market price as defined in the option plan at the time of grant. The term of the option cannot exceed 10 years. Stock options currently granted normally fully vest and expire by the end of the fifth year. The terms for all options prior to June 2006 were set by the Board of Directors at the grant date.

On September 6, 2011, the Company cancelled 630,000 options with a weighted average exercise price of \$17.08 and approximate remaining vesting period of 4.2 years, and issued new options with an exercise price of \$11.88 and a vesting period of 5.0 years. As a result of cancellation and issuance of these options, the fair value of the options, calculated using the Black-Scholes model, increased by \$562 and will be amortized over the remaining vesting period of the options. For these options, \$19 in incremental compensation cost was recognized during fiscal 2012.

The changes in the number of outstanding share options are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at May 1, 2010	4,095,500	\$ 10.82
Granted	1,055,000	15.77
Exercised	(863,100)	6.52
Cancelled	(180,800)	11.87
Balance as at April 30, 2011	4,106,600	\$ 12.95
Granted	2,257,000	11.95
Exercised	(605,280)	8.97
Cancelled	(830,900)	15.71
Expired	(5,270)	10.01
Balance as at October 31, 2011	4,922,150	12.52

Note #11 continued ...

Stock options outstanding as at October 31, 2011 are:

Exercise Price	Weighted Average Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$9.93 - \$11.00	\$ 10.95	1,372,650	1.3	798,450	\$ 11.00
\$11.17 - \$16.12	\$ 12.42	3,134,500	4.4	10,000	\$ 13.74
\$17.88 - \$19.34	\$ 18.15	405,000	1.6	255,000	\$ 17.97
\$29.58	\$ 29.58	10,000	1.3	6,000	\$ 29.58
Totals	\$ 12.52	4,922,150	3.3	1,069,450	\$ 12.80

Compensation expense

The share-based compensation expense that has been charged against earnings over the six month period is \$1,424 (2010 - \$1,833). Compensation expense was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	October 31, 2011	October 31, 2010
Risk-free interest rate	1.41%	2.45%
Dividend yield	4.02%	2.53%
Expected life	5 years	5 years
Expected volatility	40%	35%
Weighted average grant-date fair value: Where the exercise price equaled the market price	\$2.99	\$3.79

Expected volatility is based on a combination of historical share price volatility over the past 5 years of both the company and industry index averages. Share-based compensation was calculated using a weighted average forfeiture rate of 18%.

12. SEGMENTED INFORMATION

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

Revenue	Three month period ended				Six month period ended				
	October 31, 2011		2010		October 31, 2011		2010		
	United States	\$ 26,031	\$ 32,407	\$ 62,224	\$ 69,292	International	34,576	42,411	64,373
Canada	9,880	7,509	19,018	13,270	Totals	\$ 70,487	\$ 82,327	\$ 145,615	\$ 156,143

Note #12 continued ...

	October 31, 2011			April 30, 2011		
	Capital Assets	Goodwill	Intellectual Property	Capital Assets	Goodwill	Intellectual Property
United States	\$ 6,853	\$ -	\$ -	\$ 7,207	\$ -	\$ -
International	10,151	17,951	1,623	9,844	17,467	2,224
Canada	20,109	-	-	20,576	-	-
	\$ 37,113	\$ 17,951	\$ 1,623	\$ 37,627	\$ 17,467	\$ 2,224

13. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Related Party Transactions

Two shareholders each indirectly hold a 10% interest in the Company's leased premises in Ontario. This lease expires in 2019 with a total of \$6,200 committed over the remaining term. During the six and three month period respectively, rent paid for the leased principal premises amounted to \$399 (2010 - \$399) and \$200 (2010 - \$200) with no outstanding amounts due as at October 31, 2011.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2016 with a total of \$1210 committed over the remaining term. During the six and three month period respectively, rent paid was \$121 (2010 - \$120) and \$61 (2010 - \$60) with no outstanding amounts due as at October 31, 2011.

On December 1, 2008 the Company entered into an agreement with two shareholders who each indirectly hold a 20% interest in the Company's leased premises in Ontario. This lease expires in 2018 with a total of \$5,565 committed over the remaining term. During the six and three month period respectively, rent paid for the leased principal premises amounted to \$360 (2010 - \$343) and \$180 (2010 - \$172) with no outstanding amounts due as at October 31, 2011.

On December 15, 2008 the Company entered into a lease agreement with a director who indirectly owns 100% interest. The lease expires in 2013 with a total of \$293 committed over the remaining term. During the six and three month period respectively, rent paid was \$65 (2010 - \$65) and \$33 (2010 - \$33) with no outstanding amounts due as at October 31, 2011.

On May 1, 2009 the Company entered into an agreement with two shareholders who each indirectly hold a 35% interest. This lease expires in 2019 with a total of \$3,399 committed over the remaining term. During the six and three month period respectively, rent paid was \$209 (2010 - \$199) and \$104 (2010 - \$99) with no outstanding amounts due as at October 31, 2011.

These transactions were in the normal course of business and recorded at an exchange value established and agreed upon by related parties.

14. EARNINGS PER SHARE

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Weighted average common shares outstanding	73,411,756	73,749,569	74,085,659	73,663,050
Dilutive effect of stock options	199,412	534,647	330,974	439,477
Diluted weighted average common shares outstanding	73,611,168	74,284,216	74,416,633	74,102,527

The weighted average number of diluted common shares excludes 1,428,470 options because they were anti-dilutive during the period (2010 – 365,000).

15. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For all periods up to and including the year ended April 30, 2011, the Company prepared its financial statements in accordance with Canadian GAAP. These financial statements, for the six months ended October 31, 2011, are the second which the Company has prepared in accordance with IFRS.

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods beginning on or after May 1, 2011 (the date of transition) as described in the significant accounting policies in Note 2. The principal adjustments made by the Company in its reconciling from Canadian GAAP balance sheet as at May 1, 2010 and its previously published Canadian GAAP financial statements for the year ended April 30, 2011 to IFRS are included within Note 16 of the Companies interim condensed consolidated financial statements for the three months ended July 31, 2011.

This note provides reconciliation of Canadian GAAP and IFRS for periods presented within this statement.

Exemptions applied and mandatory exceptions

IFRS 1, First-Time Adoption of International Financial Reporting Standards, allows first-time adopters certain exemptions from the general requirement to apply IFRS as effective for April 2012 year ends retrospectively. IFRS 1 also includes mandatory exceptions to the retrospective application of IFRSs.

The Company has applied the following exemptions:

IFRS 2 - Share-based payment transactions

IFRS 1 does not require first-time adopters to apply IFRS 2, Share Based Payment, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to May 1, 2010, which had been accounted for in accordance with Canadian GAAP.

IFRS 3 - Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after May 1, 2010. In accordance with the IFRS 1 exemption the Company has also elected to not retroactively apply IAS 21, The Effects of Changes in Foreign Exchange Rates, on fair value adjustments and goodwill arising in business combinations that occurred before May 1, 2010.

Note #15 continued ...

IAS 21 - Cumulative translation differences

IFRS 1 provides the option to reset the balance of the cumulative foreign currency translation adjustment to zero on the date of transition. The Company has chosen to apply this election and has eliminated the cumulative translation difference and has adjusted retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

The Company has applied the following mandatory exceptions:

IAS 1 - Estimates

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

Other exceptions

The three remaining mandatory exceptions to the retrospective application of IFRSs relate to the de-recognition of financial assets and liabilities, hedge accounting and assets classified as held for sale and discontinued operations. The Company has determined that these mandatory exceptions have not had a material impact on the condensed consolidated financial statements.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of earnings, statement of comprehensive income, statement of financial position and statement of cash flows for the year ended April 30, 2011 have been reconciled to IFRS, with the resulting differences explained.

Reconciliation of equity as at April 30, 2011 and October 31, 2010:

	NOTES	April 30, 2011	October 31, 2010
Total equity under Canadian GAAP		\$ 371,704	\$ 344,917
Adjustments			
Property, plant and equipment	1	887	1,262
Provisions	2	(320)	(262)
Long-term projects	3	928	-
Business combinations	4	(172)	-
Translation of income tax	5	-	-
Non-controlling interest	6	1,550	1,344
Functional currency	8, 9	(219)	(255)
		2,654	2,089
Tax effect of the above adjustments		(599)	(699)
Total adjustment to equity		2,055	1,390
Total equity under IFRSs		\$ 373,759	\$ 346,307

Note #15 continued ...

Reconciliation of comprehensive income for six months and three months ended October 31, 2010:

	NOTES	Six month period ended October 31, 2010	Three month period ended October 31, 2010
Total comprehensive income under Canadian GAAP		\$ 42,134	\$ 21,267
Adjustments			
Property, plant and equipment	1	(299)	(150)
Provisions	2	(7)	2
Long-term projects	3	-	-
Business combinations	4	-	-
Translation of income tax	5	-	-
Share based payments	7	126	63
Functional currency	8, 9	(255)	(258)
		(435)	(343)
Tax effect of the above adjustments		4	(21)
Total adjustment to comprehensive income		(431)	(364)
Total comprehensive income under IFRSs		\$ 41,703	\$ 20,903

Notes to the financial statement reconciliations

- (1) The Company has retroactively applied IAS 16, Property, Plant and Equipment, which requires the Company to identify the significant components of its property, plant and equipment and depreciate these parts separately over their respective useful lives. The impact of the retroactive application of the increased componentization has resulted in an increase in the net book value of capital assets and retained earnings at the date of transition and an increase in subsequent amortization expense.
- (2) IAS 37, Provisions, Contingent Liabilities and Contingent Assets, requires separate disclosure of provisions on the face of the statement of financial position. This was not required under previous Canadian GAAP; therefore, all provisions were reclassified from accounts payable and accrued liabilities upon transition. Additionally, provisions as at May 1, 2010, as reported under Canadian GAAP, were re-assessed in accordance with the provisions of IAS 37. As a result of measurement differences between Canadian GAAP and IFRS, the Company increased its provision for site restoration costs.
- (3) IAS 11, Construction Contracts, requires revenues on projects which meet the definition of a construction contract to be measured using the percentage of completion method. The Company has identified certain long-term contracts which meet the definition of constructions contracts for which no revenues were previously recognized until shipment and transfer of title to customers were completed. The recognition method relating to these contracts has been restated to reflect the percentage of completion method.
- (4) The Company has elected under IFRS 1 not to apply IFRS 3 retrospectively to business combinations that occurred prior to May 1, 2010. Accordingly, the Company has continued with the same accounting treatment for business combinations completed before that time under Canadian GAAP. For all business combinations that occurred on and subsequent to May 1, 2010 all business acquisitions were accounted for in accordance with IFRS 3. Under IFRS 3 all acquisition related transaction costs are expensed as incurred, as opposed to Canadian GAAP where the costs are capitalized during the purchase price allocation.

Note #15 continued ...

- (5) IAS 12, Income Taxes, requires net deferred income tax assets and liabilities to be adjusted for the tax effects of revaluating foreign currency denominated non-monetary balances held by entities where the functional currency is different than the local tax currency. As this was not a requirement under Canadian GAAP, an adjustment is required upon transition.
- (6) Under IFRS, any liabilities or assets relating to a non-controlling interest are required to be classified as equity and presented separately from the equity attributable to shareholders of the Company. As such, the liabilities associated with the non-controlling interest have been reclassified within the statement of financial position.
- (7) Under IFRS future forfeiture rates relating to the percentage of options that will not vest must be estimated and used as a reduction in stock compensation expense. Under CDN GAAP forfeitures are recognized and used as a reduction in the expense as incurred. As such, the Company has retroactively estimated forfeiture rates for all options vesting subsequent to the transition date and retroactively adjusted cumulative stock compensation expense.
- (8) Under the requirements of IAS 21, the Company is required to assess the functional currency of all subsidiary entities no matter where the entity resides. Upon the review upon transition it was concluded an entity previously concluded as an integrated options has a functional currency different from the parent. The impact of the adjustment has resulted to the reclassification of prior year foreign exchange adjustments from foreign exchange expense to the cumulative transition adjustment within comprehensive income.
- (9) Under the requirements of IAS 21, the Company is required to assess the functional currency of all subsidiary entities no matter where the entity resides. Upon the review upon transition it was concluded an entity previously concluded as a self-sustaining operation has a functional currency consistent with the parent. As noted under discussions related to IFRS 3, the Company has taken the IFRS 3 exemption to maintain goodwill at its historical cost. The impact of the adjustment has resulted to adjustment of goodwill ensuring it is maintained at its historical translation rate as opposed to the spot rate used under CDN GAAP.

Reconciliation of interim condensed consolidated cash flows

There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows under Canadian GAAP.

16. SUBSEQUENT EVENT

On December 6, 2011 the Company declared a dividend of \$0.12 with a record date of December 16, 2011 and a payment date of December 23, 2011.