

**EVERTZ TECHNOLOGIES LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Second Quarter ended October 31, 2011**

The following management's discussion and analysis is a review of results of the operations and the liquidity and capital resources of the Company. It should be read in conjunction with the selected consolidated financial information and other data and the Company's consolidated financial statements and the accompanying notes for the six months ended October 31, 2011, the year ended April 30, 2011 and three months ended July 31, 2011 as contained on SEDAR. The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars. The fiscal year of the Company ends on April 30 of each year. Certain information contained herein is forward-looking and based upon assumptions and anticipated results that are subject to risks, uncertainties and other factors. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected.

**FORWARD-LOOKING STATEMENTS**

The report contains forward-looking statements reflecting Evertz's objectives, estimates and expectations. Such forward-looking statements use words such as "may", "will", "expect", "believe", "anticipate", "plan", "intend", "project", "continue" and other similar terminology of a forward-looking nature or negatives of those terms.

Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks, uncertainties and other factors. Accordingly, there are or will be a number of significant factors which could cause the Company's actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The report is based on information available to management on December 2, 2011.

**OVERVIEW**

Evertz is a leading equipment provider to the television broadcast industry. Founded in 1966, Evertz designs, manufactures and distributes video and audio infrastructure equipment for the production, post-production, and transmission of television content. The Company's solutions are purchased by content creators, broadcasters, specialty channels and television service providers to enable and enhance the transition to a complex multi-channel digital and HDTV broadcast environment. The Company's equipment allows customers to generate additional revenue while reducing costs through the more efficient distribution and management of content as well as the automation of previously manual processes.

The Company's growth strategy is based on capitalizing on its strong customer position and innovative integrated product line. The Company's financial objectives are to achieve profitable growth with our existing customers and with new customers who were converting to HDTV, building out IPTV infrastructures, or in need of advanced solutions for traditional broadcasting facilities.

Our broadcast customers continue to operate in a challenging economic environment which impacts their ability to incur capital expenditures and often results in projects being scaled back or postponed to later periods.

While it does appear that industry conditions are showing some improvement. In certain geographical areas it is unclear what the time frame will be for our customers to convert this to equipment purchases.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Canadian Accounting Standards Board requires Canadian publicly accountable enterprises to adopt IFRS in 2011 to replace Canadian Generally Accepted Accounting Principles (“GAAP”). Accordingly, the interim financial statements have been prepared in accordance with IFRS, with a transition date of May 1, 2010 to allow for comparative financial information. Financial information disclosed in this MD&A for periods ending prior to May 1, 2010 has not been restated.

The Company’s IFRS conversion plan was comprehensive and addressed matters including staff training, changes in accounting policies, restatement of comparative periods, internal controls and procedures, disclosure controls, and business activities in general. The changeover to IFRS did not result in a material impact to the Company’s business functions and activities including internal controls and procedures.

Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are differences in recognition, measurement and disclosure. The “First Time Adoption of IFRS” section of this MD&A provides a summary of the transitional exemptions and elections taken by the Company, as well as relevant differences in accounting policies between Canadian GAAP and IFRS.

The note also provides reconciliations of assets, liabilities, shareholders’ equity and net earnings for specified periods previously prepared under Canadian GAAP to that under IFRS. The information provided in this MD&A and in the interim financial statements with respect to the transition to IFRS reflects current views, assumptions and expectations. Circumstances may arise such as changes in IFRS standards or interpretation of existing IFRS standards before the consolidated financial statements as at April 30, 2012 are prepared. Consequently, final accounting policy decisions for all standards and exemptions in effect at the date of transition will be made during the preparation of the consolidated financial statements as at April 30, 2012.

## **SIGNIFICANT ACCOUNTING POLICIES**

Outlined below are those policies considered particularly significant to the generation of the Company’s financial statements:

### ***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.

### ***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.

### ***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:

<b>Asset</b>	<b>Basis</b>	<b>Rate</b>
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.

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.

### ***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.

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.

### ***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:

<b><u>Asset/Liability</u></b>	<b><u>Category</u></b>	<b><u>Measurement</u></b>
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.

### ***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.

### ***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.

### ***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.

## **QUARTER END HIGHLIGHTS**

Revenue decreased by 14% for the second quarter ended October 31, 2011 when compared to the same period ended October 31, 2010.

Net earnings for the second quarter ended October 31, 2011 were \$16.1 million as compared to \$20.9 million for the second quarter ended October 31, 2010, a decrease of 23%. Fully-diluted earnings per share were \$0.22 for the second quarter ended October 31, 2011 as compared to \$0.28 for the second quarter ended October 31, 2010.

Gross margin during the second quarter ended October 31, 2011 was 57.3% as compared to 57.9% for the second quarter ended October 31, 2010.

Selling and administrative expenses for the second quarter ended October 31, 2011 was \$11.7 million compared to the second quarter ended October 31, 2010 of \$9.0 million. As a percentage of revenue, selling and administrative expenses totaled 16.7% for the second quarter ended October 31, 2011 as opposed to 11.0% for the second quarter ended October 31, 2010.

Research and development (“R&D”) expenses increased in the second quarter ended October 31, 2011 by \$1.8 million or approximately 22% compared to the second quarter ended October 31, 2010.

Cash and instruments held for trading were \$186.3 million and working capital was \$323.6 million as at October 31, 2011 as compared to cash and instruments held for trading of \$192.0 million and working capital of \$326.0 million as at April 30, 2011.

## Selected Consolidated Financial Information

(in thousands of dollars except earnings per share and share data)

	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 and administrative	11,739	9,015	22,121	17,209
General	1,789	1,511	3,098	2,943
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				
Basic	\$ 0.22	\$ 0.28	\$ 0.45	\$ 0.56
Diluted	\$ 0.22	\$ 0.28	\$ 0.45	\$ 0.56

### Consolidated Balance Sheet Data

	As at	As at
	October 31, 2011	April 30, 2011
Cash and instruments held for trading	\$ 186,316	\$ 192,025
Inventory	\$ 104,050	\$ 106,422
Working capital	\$ 323,625	\$ 326,029
Total assets	\$ 408,362	\$ 410,511
Shareholders' equity	\$ 371,500	\$ 372,209
Number of common shares outstanding:		
Basic	73,224,286	74,470,606
Fully-diluted	78,146,436	78,577,206
Weighted average number of shares outstanding:		
Basic	74,085,659	73,989,997
Fully-diluted	74,416,633	74,879,139

**Consolidated Statement of Operations Data**

(in thousands of dollars except earnings per share and share data)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	42.7%	42.1%	42.8%	42.0%
Gross margin	57.3%	57.9%	57.2%	58.0%
Expenses				
Selling and administrative	16.7%	11.0%	15.2%	11.0%
General	2.5%	1.8%	2.1%	1.9%
Research and development	14.2%	10.0%	14.0%	10.4%
Investment tax credits	(3.5%)	(2.3%)	(3.3%)	(2.5%)
Foreign exchange gain	(3.9%)	(0.4%)	(2.1%)	(0.6%)
	26.1%	20.1%	25.9%	20.2%
Earnings before undernoted	31.2%	37.8%	31.3%	37.8%
Finance income	0.6%	0.4%	0.6%	0.3%
Finance costs	(0.1%)	(0.1%)	(0.1%)	(0.1%)
Other income and expenses	(0.3%)	(2.7%)	(0.2%)	(1.0%)
Earnings before income taxes	31.4%	35.4%	31.6%	37.2%
Provision for (recovery) of income taxes				
Current	8.7%	10.5%	9.2%	11.6%
Deferred	(0.1%)	1.2%	(0.8%)	(0.2%)
	8.6%	11.7%	8.4%	11.4%
Net earnings for the period	22.8%	25.4%	23.2%	26.6%
Net earnings attributable to non-controlling interest	0.1%	0.2%	0.1%	0.2%
Net earnings attributable to shareholders	22.7%	25.2%	23.1%	26.3%
Net earnings for the period	22.8%	25.4%	23.2%	26.6%
Earnings per share:				
Basic	\$ 0.22	\$ 0.28	\$ 0.45	\$ 0.56
Diluted	\$ 0.22	\$ 0.28	\$ 0.45	\$ 0.56

**REVENUE AND EXPENSES****Revenue**

The Company generates revenue principally from the sale of its broadcast equipment solutions to content creators, broadcasters, specialty channels and television service providers.

The Company markets and sells its products and services through both direct and indirect sales strategies. The Company's direct sales efforts focus on large and complex end-user customers. These customers have long sales cycles typically ranging from four to eight months before an order may be received by the Company for fulfillment.

The Company monitors revenue performance in two main geographic regions: (i) United States/Canada and (ii) International.

The Company currently generates approximately 50% to 60% of its revenue in the United States/Canada. The Company recognizes the opportunity to more aggressively target markets in other geographic regions and intends to invest in personnel and infrastructure in those markets.

While a significant portion of the Company's expenses are denominated in Canadian dollars, the Company collects substantially all of its revenues in currencies other than the Canadian dollar and therefore has significant exposure to fluctuations in foreign currencies, in particular the US dollar. Approximately 70-80% of the Company's revenues are denominated in US dollars.

### **Revenue**

(In thousands of Canadian dollars)	Three month period ended			% Increase (Decrease)	Six month period ended		
	October 31,				October 31,		% Increase (Decrease)
	2011	2010			2011	2010	
United States/Canada	\$ 35,911	\$ 39,916	(10%)	\$ 81,242	\$ 82,562	(2%)	
International	34,576	42,411	(18%)	64,373	73,581	(13%)	
	\$ 70,487	\$ 82,327	(14%)	\$ 145,615	\$ 156,143	(7%)	

Total revenue for the second quarter ended October 31, 2011 were \$70.5 million, a decrease of 14% or \$11.8 million as compared to revenue of \$82.3 million for the second quarter ended October 31, 2010.

Revenue in the United States/Canada region decreased to \$35.9 million for the second quarter ended October 31, 2011, a decrease of 10% or \$4.0 million as compared to revenue of \$39.9 million for the second quarter ended October 31, 2010.

Revenue in the International region decreased to \$34.6 million for the second quarter ended October 31, 2011, a decrease of 18% or \$7.8 million as compared to revenue of \$42.4 million for the second quarter ended October 31, 2010.

### **Cost of Sales**

Cost of sales consists primarily of costs of manufacturing and assembly of products. A substantial portion of these costs is represented by components and compensation costs for the manufacture and assembly of products. Cost of sales also includes related overhead, certain depreciation, final assembly, quality assurance, inventory management and support costs. Cost of sales also includes the costs of providing services to clients, primarily the cost of service-related personnel.

### **Gross Margin**

(In thousands of Canadian dollars)	Three month period ended			% Increase (Decrease)	Six month period ended		
	October 31,				October 31,		% Increase (Decrease)
	2011	2010			2011	2010	
Gross margin	\$ 40,376	\$ 47,639	(15%)	\$ 83,223	\$ 90,637	(8%)	
Gross margin % of sales	57.3%	57.9%		51.2%	58.0%		

Gross margin for the second quarter ended October 31, 2011 was \$40.4 million, compared to \$47.6 million for the second quarter ended October 31, 2010. As a percentage of revenue, the gross margin was 57.3% for the second quarter ended October 31, 2011, as compared to 57.9% for the second quarter ended October 31, 2010.

Gross margins vary depending on the product mix, geographic distribution and competitive pricing pressures. For the second quarter ended October 31, 2011 the gross margin, as a percentage of revenue,

was in the Company's projected range. The pricing environment continues to be very competitive with substantial discounting by our competition.

The Company expects that it will continue to experience competitive pricing pressures. The Company continually seeks to build its products more efficiently and enhance the value of its product and service offerings in order to reduce the risk of declining gross margin associated with the competitive environment.

### ***Operating Expenses***

The Company's operating expenses consist of: (i) selling, administrative and general; (ii) research and development and (iii) foreign exchange.

Selling expenses primarily relate to remuneration of sales and technical personnel. Other significant cost components include trade show costs, advertising and promotional activities, demonstration material and sales support. Selling and administrative expenses relate primarily to remuneration costs of related personnel, legal and professional fees, occupancy and other corporate and overhead costs. The Company also records certain depreciation amortization and share based compensation charges as general expenses. For the most part, selling, administrative and general expenses are fixed in nature and do not fluctuate directly with revenue. The Company's selling expenses tend to fluctuate in regards to the timing of trade shows, sales activity and sales personnel.

The Company invests in research and development to maintain its position in the markets it currently serves and to enhance its product portfolio with new functionality and efficiencies. Although the Company's research and development expenditures do not fluctuate directly with revenues, it monitors this spending in relation to revenues and adjusts expenditures when appropriate. Research and development expenditures consist primarily of personnel costs and material costs. Research and development expenses are presented on a gross basis (without deduction of research and development tax credits). Research and development tax credits associated with research and development expenditures are shown separately under research and development tax credits.

### ***Selling and Administrative***

(In thousands of Canadian dollars)	Three month period ended			% Increase (Decrease)	Six month period ended		
	October 31,				October 31,		% Increase (Decrease)
	2011	2010			2011	2010	
Selling and administrative	\$ 11,739	\$ 9,015	30%	\$ 22,121	\$ 17,209	29%	
Selling and administrative % of sales	16.7%	11.0%		15.2%	11.0%		

Selling and administrative expenses excludes stock based compensation, operation of non-production property, plant and equipment, and amortization of intangibles. Selling and administrative expenses for the second quarter ended October 31, 2011 were \$11.7 million or 16.7% of revenue as compared to selling and administrative expenses of \$9.0 million or 11.0% of revenue for the second quarter ended October 31, 2010.

The increase for the period was the result of general increases to selling expenses, general overhead increases and the inclusion of our December 2010 business acquisition.



## Research and Development (R&D)

(In thousands of Canadian dollars)	Three month period ended			Six month period ended		
	October 31,		% Increase (Decrease)	October 31,		% Increase (Decrease)
	2011	2010		2011	2010	
Research and development expenses	\$ 10,041	\$ 8,221	22%	\$ 20,360	\$ 16,243	25%
Research and development % of sales	14.2%	10.0%		14.0%	10.4%	

For the second quarter ended October 31, 2011, gross R&D expenses increased to \$10.0 million, an increase of 22% or \$1.8 million as compared to an expense of \$8.2 million for the second quarter ended October 31, 2010.

The increase for the period ended October 31, 2011 was predominantly a result of planned growth of R&D personnel and corresponding increases in materials and prototypes as well as the inclusion of our December 2010 business acquisition.

## Foreign Exchange

For the second quarter ended October 31, 2011, the foreign exchange gain was \$2.7 million as compared to a foreign exchange gain for the same period ended October 31, 2010 of \$0.4 million.

## Finance Income Costs and Other Income

For the second quarter ended October 31, 2011, finance income, costs and other income netted to a gain of \$0.2 million of which largely relates to interest income of \$0.5 million.

## LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources			
(in thousands of Canadian dollars except ratios)			
Key Balance Sheet Amounts and Ratios:	As at October 31, 2011		As at April 30, 2011
Cash and instruments held for trading	\$	186,316	\$ 192,025
Working capital	\$	323,625	\$ 326,029
Long-term assets	\$	56,687	\$ 57,318
Long-term debt	\$	2,178	\$ 2,493
Days sales outstanding in accounts receivable		71	62

Statement of Cash Flow Summary	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Operating activities	\$ 22,267	\$ 9,545	\$ 34,817	\$ 21,343
Investing activities	\$ (3,268)	\$ 271	\$ 223	\$ (486)
Financing activities	\$ (12,496)	\$ (5,875)	\$ (36,422)	\$ (12,015)
Net increase (decrease) in cash	\$ 6,295	\$ 3,246	\$ (1,595)	\$ 8,336

### ***Operating Activities***

For the second quarter ended October 31, 2011, the Company generated cash from operations of \$22.3 million, compared to \$9.5 million for the second quarter ended October 31, 2010. Excluding the effects of the changes in non-cash working capital, the Company generated cash from operations of \$19.0 million for the second quarter ended October 31, 2011, compared to \$27.1 million for the second quarter ended October 31, 2010.

### ***Investing Activities***

The Company used cash from investing activities of \$3.3 million for the second quarter ended October 31, 2011 which was predominantly the acquisition of capital assets of \$3.4 million, compared to cash generated of \$0.3 million for the second quarter ended October 31, 2010.

### ***Financing Activities***

For the second quarter ended October 31, 2011, the Company used cash from financing activities of \$12.5 million, which was principally driven by a repurchase of capital stock costing \$3.7 million, dividends paid of \$8.8 million and offset by the issuance of capital stock pursuant to the Company Stock Option Plan of \$0.2 million.

### **WORKING CAPITAL**

As at October 31, 2011, the Company had cash and instruments held for trading of \$186.3 million, compared to \$192.0 million at April 30, 2011.

The Company had working capital of \$323.6 million as at October 31, 2011 compared to \$326.0 million as at April 30, 2011.

The Company believes that the current balance in cash and instruments held for trading plus future cash flow from operations will be sufficient to finance growth and related investment and financing activities in the foreseeable future.

Days sales outstanding in accounts receivable were 71 days at October 31, 2011 as compared to 67 for October 31, 2010.

### **SHARE CAPITAL STRUCTURE**

Authorized capital stock consists of an unlimited number of common and preferred shares.

	As at October 31, 2011	As at April 30, 2011
Common shares	73,224,286	74,470,606
Stock options granted and outstanding	4,922,150	4,106,600

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, instruments held for trading, accounts receivable and accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company estimates that except for instruments held for trading, the fair value of these instruments approximate the carrying values due to their short-term nature.

### *Fair values and classification of financial instruments:*

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

- I. The fair values of instruments held for trading are determined by the quoted market values for each of the investments in an active market at the reporting date. Gains and losses are included in interest and other income.
- II. The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these financial instruments.

The Company invests in marketable securities that are traded in an active market. Generally the investment is limited to no more than 15% of the total cash and instruments held for trading.

## CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as at October 31, 2011:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Operating leases	\$ 23,533	\$ 3,551	\$ 6,359	\$ 5,917	\$ 7,706
Other long-term debt	\$ 2,655	\$ 477	\$ 752	\$ 499	\$ 927
	\$ 26,188	\$ 4,028	\$ 7,111	\$ 6,416	\$ 8,633

## OFF-BALANCE SHEET FINANCING

The Company does not have any off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

In the normal course of business, we may enter into transactions with related parties. These transactions occur under market terms consistent with the terms of transactions with unrelated arms-length third parties. The Company continues to lease a premise from a company in which two shareholders' each indirectly hold a 10% interest, continues to lease a facility from a company in which two shareholders each indirectly hold a 20% interest, continues to lease a facility for manufacturing where two shareholders indirectly own 100% interest, continues to lease a facility from a company in which two shareholders each indirectly own a 35% interest and continues to lease a facility with a director who indirectly owns 100%.

## SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for each of the eight quarters ended October 31, 2011. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements. The operating results for any quarter should not be relied upon as any indication of results for any future period.

(In thousands)	Quarter Ending							
	2011				2010			
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	CDN GAAP	CDN GAAP
(Unaudited)	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31
Sales	\$ 70,487	\$ 75,128	\$ 69,043	\$ 84,073	\$ 82,327	\$ 73,816	\$ 75,285	\$ 66,165
Cost of goods sold	30,111	32,281	30,055	35,389	34,688	30,818	31,860	28,387
Gross margin	\$ 40,376	\$ 42,847	\$ 38,988	\$ 48,684	\$ 47,639	\$ 42,998	\$ 43,425	\$ 37,778
Operating expenses	18,393	19,385	22,955	19,639	16,515	15,056	20,597	19,063
Earnings from operations	\$ 21,983	\$ 23,462	\$ 16,033	\$ 29,045	\$ 31,124	\$ 27,942	\$ 22,828	\$ 18,715
Non-operating income (exp)	165	389	1,160	4,095	(1,975)	920	1,441	(1,622)
Earnings before taxes	\$ 22,148	\$ 23,851	\$ 17,193	\$ 33,140	\$ 29,149	\$ 28,862	\$ 24,269	\$ 17,093
Net earnings	\$ 15,996	\$ 17,527	\$ 12,219	\$ 24,352	\$ 20,735	\$ 20,408	\$ 15,253	\$ 11,660
Net earnings per share:								
Basic	\$ 0.22	\$ 0.23	\$ 0.17	\$ 0.33	\$ 0.28	\$ 0.28	\$ 0.21	\$ 0.16
Diluted	\$ 0.22	\$ 0.23	\$ 0.16	\$ 0.33	\$ 0.28	\$ 0.28	\$ 0.21	\$ 0.16
Dividends per share:	\$ 0.12	\$ 0.12	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.08	\$ 0.08	\$ 0.08

The Companies revenue and corresponding earnings can vary from quarter to quarter depending on the delivery requirements of our customers. Our customers can be influenced by a variety of factors including upcoming sports or entertainment events as well as their access to capital.

### DISCLOSURE CONTROLS AND PROCEDURES

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of October 31, 2011.

Management has concluded that, as of October 31, 2011, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company, particularly during the period in which this report was being prepared.

### INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for and has designed internal controls over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has concluded that, as of October 31, 2011, the Company's internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

## CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes to the Company's internal controls over financial reporting during the period ended October 31, 2011 that have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

## 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.

### 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

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. Acquisitions during the year resulted in \$172 in acquisition related transaction costs.

- (5) IAS 12, Income Taxes, requires net deferred income tax assets and liabilities to be adjusted for the tax effects of revaluing 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 translation 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.

## **OUTLOOK**

Management expects on an annual basis that the Company's revenues will continue to outpace the industry growth. Gross margin percentages may vary depending on the mix of products sold, the Company's success in winning more complete projects, utilization of manufacturing capacity and the competitiveness of the pricing environment. R&D will continue to be a key focus as the Company invests in new product development.

## **RISKS AND UNCERTAINTIES**

The Company risk factors are outlined in our AIF filed on SEDAR.