Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three month and Six month periods ended October 31, 2018 and 2017
(Unaudited)

MANAGEMENT REPORT

The management of Evertz Technologies Limited ("Evertz" or 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 adjustments, consisting of normal and recurring items, that management considers necessary for the fair presentation of the consolidated financial position, results of operations and cash flows.

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EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

As at October 31, 2018 and April 30, 2018
(In thousands of Canadian dollars)

		October 31, 2018		April 30, 2018
Assets				
Current assets				
Cash and cash equivalents	$	65,189	$	94,184
Marketable securities (note 2)		13,760		-
Trade and other receivables		96,695		64,241
Contract assets (note 13)		11,475		21,830
Prepaid expenses		6,805		5,506
Inventories		171,430		168,070
		365,354		353,831
Property, plant and equipment (note 3)		47,249		47,915
Goodwill		18,016		18,168
Deferred income taxes		1,380		1,201
	$	431,999	$	421,115
Liabilities				
Current liabilities				
Trade and other payables	$	50,292	$	56,377
Provisions (note 4)		3,927		3,981
Deferred revenue		34,569		28,502
Current portion of long term debt		325		383
Income tax payable		1,784		74
		90,897		89,317
Long term debt		356		515
		91,253		89,832
Equity				
Capital stock (note 9)		139,359		138,675
Share based payment reserve		7,961		7,885
Accumulated other comprehensive earnings		890		2,149
Retained earnings		190,574		180,518
		191,464		182,667
Total equity attributable to shareholders		338,784		329,227
Non-controlling interest		1,962		2,056
		340,746		331,283
	$	431,999	$	421,115

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Three month periods ended October 31, 2018 and 2017
(In thousands of Canadian dollars)

	Capital stock	Share-based payment reserve	Accumulated other comprehensive earnings	Retained earnings	Total equity attributable to shareholders	Non-controlling interest	Total Equity
Balance at April 30, 2017	**$ 124,695**	**$ 10,091**	**$ 747**	**$ 182,297**	**$ 317,830**	**$ 3,943**	**$ 321,773**
Net earnings for the period	-	-	-	30,364	30,364	257	30,621
Foreign currency translation adjustment	-	-	230	-	230	(121)	109
Total comprehensive earnings for the period	$ -	$ -	$ 230	$ 30,364	$ 30,594	$ 136	$ 30,730
Dividends declared	-	-	-	(27,401)	(27,401)	(500)	(27,901)
Acquisition of non-controlling interest (note 12)	-	-	-	67	67	(1,758)	(1,691)
Share based compensation expense	-	398	-	-	398	-	398
Exercise of employee stock options	6,163	-	-	-	6,163	-	6,163
Transfer on stock option exercise	1,661	(1,661)	-	-	-	-	-
Balance at October 31, 2017	**$ 132,519**	**$ 8,828**	**$ 977**	**$ 185,327**	**$ 327,651**	**$ 1,821**	**$ 329,472**
Balance at April 30, 2018	**$ 138,675**	**$ 7,885**	**$ 2,149**	**$ 180,518**	**$ 329,227**	**$ 2,056**	**$ 331,283**
Net earnings for the period	-	-	-	37,619	37,619	323	37,942
Foreign currency translation adjustment	-	-	(1,259)	-	(1,259)	(42)	(1,301)
Total comprehensive earnings for the period	$ -	$ -	$ (1,259)	$ 37,619	$ 36,360	$ 281	$ 36,641
Dividends declared	-	-	-	(27,542)	(27,542)	(375)	(27,917)
Impact of change in accounting policy (note 13)	-	-	-	(21)	(21)	-	(21)
Share based compensation expense	-	173	-	-	173	-	173
Exercise of employee stock options	587	-	-	-	587	-	587
Transfer on stock option exercise	97	(97)	-	-	-	-	-
Balance at October 31, 2018	**$ 139,359**	**$ 7,961**	**$ 890**	**$ 190,574**	**$ 338,784**	**$ 1,962**	**$ 340,746**

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, 2018 and 2017
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended October 31,		Six month period ended October 31,	
	2018	2017	2018	2017
Revenue (notes 2 and 10)	$ 112,280	$ 101,261	$ 215,369	$ 210,270
Cost of goods sold	48,122	44,509	92,433	92,357
Gross margin	64,158	56,752	122,936	117,913
Expenses				
Selling, administrative and general (note 6)	18,458	18,396	35,702	36,320
Research and development	21,083	20,214	42,403	39,486
Investment tax credits	(1,933)	(2,850)	(3,936)	(5,301)
Foreign exchange (gain) loss	(838)	(2,882)	(1,910)	5,362
	36,770	32,878	72,259	75,867
	27,388	23,874	50,677	42,046
Finance income	310	174	669	275
Finance costs	(83)	(157)	(509)	(205)
Other income (expenses)	5	(75)	140	(46)
Earnings before income taxes	27,620	23,816	50,977	42,070
Provision for (recovery of) income taxes				
Current	7,876	6,515	13,494	12,370
Deferred	(837)	(128)	(459)	(921)
	7,039	6,387	13,035	11,449
Net earnings for the period	$ 20,581	$ 17,429	$ 37,942	$ 30,621
Net earnings attributable to non-controlling interest	235	143	323	257
Net earnings attributable to shareholders	20,346	17,286	37,619	30,364
Net earnings for the period	$ 20,581	$ 17,429	$ 37,942	$ 30,621
Earnings per share (note 11)				
Basic	$ 0.27	$ 0.23	$ 0.49	$ 0.40
Diluted	$ 0.27	$ 0.23	$ 0.49	$ 0.40

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited)

Three month and six month periods ended October 31, 2018 and 2017
(In thousands of Canadian dollars)

	Three month period ended October 31,		Six month period ended October 31,	
	2018	**2017**	**2018**	**2017**
Net earnings for the period	$ 20,581	$ 17,429	$ 37,942	$ 30,621
Items that may be reclassified to net earnings:				
Foreign currency translation adjustment	(176)	1,378	(1,301)	109
Comprehensive earnings	$ 20,405	$ 18,807	$ 36,641	$ 30,730
Comprehensive earnings attributable to non-controlling interest	$ 211	$ 175	$ 281	$ 136
Comprehensive earnings attributable to shareholders	$ 20,194	$ 18,632	$ 36,360	$ 30,594
Comprehensive earnings	$ 20,405	$ 18,807	$ 36,641	$ 30,730

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three month and six month periods ended October 31, 2018 and 2017
(In thousands of Canadian dollars)

	Three month period ended October 31,		Six month period ended October 31,	
	2018	2017	2018	2017
Operating activities				
Net earnings for the period	$ 20,581	$ 17,429	$ 37,942	$ 30,621
Add: Items not involving cash				
Depreciation of property, plant and equipment	2,787	2,682	5,450	5,538
Gain on disposal of property, plant and equipment	(14)	(3)	(67)	(4)
Unrealized loss (gain) on marketable securities	51	-	(52)	-
Share based compensation (note 8)	93	157	173	398
Interest expense	11	9	14	16
Deferred income tax recovery	(837)	(128)	(459)	(921)
	22,672	20,146	43,001	35,648
Current tax expenses, net of investment tax credits	6,061	3,665	9,676	7,069
Income taxes paid	(5,508)	(4,080)	(7,975)	(9,835)
Changes in non-cash working capital items (note 7)	(30,809)	(22,489)	(28,049)	(3,445)
Cash (used in) provided by operating activities	(7,584)	(2,758)	16,653	29,437
Investing activities				
Acquisition of property, plant and equipment	(3,088)	(2,491)	(5,354)	(5,593)
Proceeds from disposal of property, plant and equipment	22	29	128	33
Acquisition of marketable securities	(2,869)	-	(13,708)	-
Acquisition of non-controlling interest	-	(1,691)	-	(1,691)
Cash used in investing activities	(5,935)	(4,153)	(18,934)	(7,251)
Financing activities				
Repayment of long term debt	(218)	(57)	(183)	(114)
Interest paid	(11)	(9)	(14)	(16)
Dividends paid	(13,771)	(13,712)	(27,541)	(27,401)
Dividends paid by subsidiaries to non-controlling interests	(375)	-	(375)	(500)
Capital stock issued	335	1,604	587	6,163
Cash used in financing activities	(14,040)	(12,174)	(27,526)	(21,868)
Effect of exchange rates on cash and cash equivalents	1,028	319	812	(570)
Decrease in cash and cash equivalents	(26,531)	(18,766)	(28,995)	(252)
Cash and cash equivalents beginning of period	91,720	72,788	94,184	54,274
Cash and cash equivalents end of period	$ 65,189	$ 54,022	$ 65,189	$ 54,022

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three month and six month periods ended October 31, 2018 and 2017
(in thousands of Canadian dollars, except for "number of common shares", "number of options" and "per share" information)

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 head office is located at 5292 John Lucas Drive, Burlington, Ontario, Canada. The Company is a leading supplier of software, equipment and technology solutions to content creators, broadcasters, specialty channels and television service providers. The Company designs, manufactures and distributes video and audio infrastructure solutions 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 ("IFRS") as issued by the International Accounting Standards Board ("IASB") and under International Accounting Standard ("IAS") 34 "Interim Financial Reporting" using the same accounting policies as described in the Company's consolidated financial statements for the year ended April 30, 2018, except for new accounting policies that were adopted on May 1, 2018 as described in Note 2.

These interim condensed consolidated financial statements do not include all information and note disclosures required by IFRS for annual financial statements, and therefore; should be read in conjunction with the April 30, 2018 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 5, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

<u>Changes in Accounting Policies</u>

Financial Instruments

IFRS 9, *Financial instruments* ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward looking "expected credit loss" impairment model and a substantially reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. The Company adopted IFRS 9 on May 1, 2018. See Note 13 for the new policy and further details.

During the six month period ended October 31, 2018, marketable securities were acquired. The available for sale financial assets are initially measured at cost, plus any transaction costs attributable to their acquisition. After initial recognition, marketable securities are measured at their fair value with changes being recorded through profit or loss. Fair value is obtained through quoted prices in active markets for identical assets.

Revenue

IFRS 15, *Revenue from contracts with customers* (“IFRS 15”) was issued by the IASB in May 2014 to replace IAS 11, *Construction Contracts* and IAS 18, *Revenue* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers to determine how and when to recognize revenue. The Company has adopted IFRS 15 with an initial adoption date of May 1, 2018. The Company utilized the modified retrospective approach to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. See note 13 for the new policy and further details.

New and Revised IFRSs Issued but Not Yet Effective

Leases

IFRS 16, *Leases* (“IFRS 16”) was issued by the IASB in January 2016 and will replace IAS 17, *Leases.* IFRS 16 introduces a single accounting model for lessees to bring leases on-balance sheet while lessor accounting remains largely unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The total amount of future lease commitments as at October 31, 2018 is $39,811. The Company has not yet determined the final impact of the adoption of the following standards and will disclose the estimated financial effects of the adoption of IFRS 16 in its 2019 annual consolidated financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

	October 31, 2018			April 30, 2018		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Office furniture and equipment	$ 3,930	$ 2,341	$ 1,589	$ 3,881	$ 2,262	$ 1,619
Research and development equipment	35,063	21,164	13,899	36,756	23,529	13,227
Airplanes	11,134	7,739	3,395	10,806	7,514	3,292
Machinery and equipment	59,167	45,789	13,378	61,880	46,654	15,226
Leaseholds	8,735	4,781	3,954	8,620	4,486	4,134
Land	2,330	-	2,330	2,430	-	2,430
Buildings	11,274	2,570	8,704	10,603	2,616	7,987
	$ 131,633	$ 84,384	$ 47,249	$ 134,976	$ 87,061	$ 47,915

4. PROVISIONS

	Warranty and Returns	Lease/Retirement Obligations	Total
Balance as at April 30, 2018	**$ 3,544**	**$ 437**	**$ 3,981**
Net additions	(144)	53	(91)
Foreign exchange differences	60	(23)	37
Balance as at October 31, 2018	**$ 3,460**	**$ 467**	**$ 3,927**

Warranty and Returns
The provision relates to estimated future costs associated with warranty repairs and returns on hardware solutions. The provision is based on historical data associated with similar products. The warranty and returns are expected to be incurred within the next twelve months.

Lease/Retirement Obligations
The provision relates to estimated restoration costs expected to be incurred upon the conclusion of Company leases.

5. 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 April 30, 2018	**76,481,746**	**$**	**138,675**
Issued on exercise of stock options	38,000		587
Transferred on stock option exercise	-		97
Balance as at October 31, 2018	**76,519,746**	**$**	**139,359**

Dividends Per Share
During the quarter, $0.18 in dividends per share was declared (2017 - $0.18).

6. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended October 31,				**Six month period ended October 31,**			
		2018		**2017**		**2018**		**2017**
Selling and administrative	$	16,389	$	16,026	$	32,294	$	31,853
Share based compensation (note 8)		1,306		1,425		1,907		2,626
Depreciation of property, plant and equipment (non-production)		763		945		1,501		1,841
	$	18,458	$	18,396	$	35,702	$	36,320

7. STATEMENT OF CASH FLOWS

Changes in non–cash working capital items

	Three month period ended October 31,				**Six month period ended October 31,**			
		2018		**2017**		**2018**		**2017**
Trade and other receivables	$	(23,056)	$	(7,987)	$	(33,689)	$	1,009
Contract assets		4,541		633		10,355		(702)
Prepaid expenses		(74)		(625)		(1,492)		(2,442)
Inventories		(4,664)		3,067		(4,024)		3,148
Trade and other payables		(14,257)		(14,841)		(5,307)		(6,682)
Deferred revenue		6,804		(2,531)		6,162		2,078
Provisions		(103)		(205)		(54)		146
	$	(30,809)	$	(22,489)	$	(28,049)	$	(3,445)

8. SHARE BASED PAYMENTS

Stock Option Plan

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

	Number of Options		Weighted Average Exercise Price
Balance as at April 30, 2018	**2,241,000**	**$**	**16.78**
Granted	337,500		15.71
Exercised	(38,000)		15.45
Forfeited	(24,000)		16.93
Balance as at October 31, 2018	**2,516,500**	**$**	**16.65**

Stock options outstanding as at October 31, 2018 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
$15.20 - $15.37	$	15.36	395,000	1.7	225,000	$	15.36
$15.61 - $16.87	$	15.97	449,500	4.5	-	$	-
$17.03	$	17.03	1,367,000	0.4	1,064,800	$	17.03
$17.19 - $18.63	$	17.53	335,000	2.9	92,400	$	16.18
Totals	$	16.65	2,546,500	1.7	1,382,200	$	16.80

Restricted Share Unit Plan

The Company established, in March 2016, a restricted share unit ("RSU") plan to provide an incentive to participants; including key executives of the Company, by rewarding such participants with equity-based compensation. Under the terms of the plan, RSU's are issued to the participant with a vesting period of three years. On the vesting date, all RSU's will be redeemed in cash at the fair market value at the date of vest plus any accrued dividends. The changes in the number of outstanding RSUs are as follows:

	Number of RSUs
Balance as at April 30, 2018	**690,000**
Forfeited	(7,000)
Balance as at October 31, 2018	**683,000**

As at October 31, 2018, the average remaining contractual life for outstanding RSUs is 0.9 years (2017 – 1.4 years).

Note #8 continued …

Compensation expense

Stock Option Plan

The share based compensation expense that has been charged against earnings over the six month and three month periods is $173 (2017 - $398) and $93 (2017 – $157). Compensation expense on grants during the six month and three month period was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six month period ended October 31, 2018	Six month period ended October 31, 2017
Risk-free interest rate	2.15%	1.15%
Dividend yield	4.59%	4.27%
Expected life	5	5 years
Expected volatility	15%	16%
Weighted average grant-date fair value	$1.11	$1.16

Expected volatility is based on historical share price volatility over the past five years of the Company. Share based compensation expense was calculated using a weighted average forfeiture rate of 21% (2017 – 22%).

Restricted Share Unit Plan

The share based compensation expense that has been charged against earnings over the six month and three month period is $1,733 (2017 - $2,229) and $1,212 (2017 $1,269). Share based compensation expense was calculated using a weighted average forfeiture rate of 5% (2017 – 6%). As at October 31, 2018, the total liability included within trade and other payables is $9,268 (2017 - $5,906).

9. 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.

	Three month period ended October 31,		Six month period ended October 31,	
Revenue	2018	2017	2018	2017
United States	$ 72,187	$ 63,044	$ 142,122	$ 123,827
International	34,749	35,291	62,643	78,938
Canada	5,344	2,926	10,604	7,505
	$ 112,280	$ 101,261	$ 215,369	$ 210,270

	October 31, 2018		April 30, 2018	
	Property, Plant and Equipment	Goodwill	Property, Plant and Equipment	Goodwill
United States	$ 5,385	$ 376	$ 5,297	$ 367
International	10,433	17,640	10,250	17,801
Canada	31,431	-	32,368	-
	$ 47,249	$ 18,016	$ 47,915	$ 18,168

10. REVENUE

	Three month period ended October 31,		Six month period ended October 31,	
	2018	2017	2018	2017
Hardware, software including related services, training and commissioning	108,154	93,283	207,181	192,619
Long term contract revenue	4,126	7,978	8,188	17,651
	$ 112,280	$ 101,261	$ 215,369	$ 210,270

11. 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 16% interest in the Company's leased premises in Ontario. This lease was renewed on May 23, 2018 and expires in 2029 with a total of $11,101 committed over the remaining term. During the six and three month periods, rent paid for the leased principal premises amounted to $443 (2017 – $432) and $221 (2017 - $216) with no outstanding amounts due as at October 31, 2018.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2021 with a total of $742 committed over the remaining term. During the six and three month periods, rent paid for the leased principal premises amounted to $132 (2017 – $132) and $66 (2017 - $66) with no outstanding amounts due as at October 31, 2018.

On December 1, 2008 the Company entered into a property lease agreement where two shareholders each indirectly hold a 20% interest in the Company's leased premises in Ontario. This lease was renewed on May 23, 2018 and expires in 2028 with a total of $8,996 committed over the remaining term. During the six and three month periods, rent paid for the leased principal premises amounted to $418 (2017 – $418) and $209 (2017 - $209) with no outstanding amounts due as at October 31, 2018.

On May 1, 2009 the Company entered into a property lease agreement where two shareholders each indirectly hold a 35% interest. This lease was renewed on May 23, 2018 and expires in 2029 with a total of $5,677 committed over the remaining term. During the six and three month periods, rent paid for the leased principal premises amounted to $242 (2017 – $242) and $121 (2017 - $121) with no outstanding amounts due as at October 31, 2018.

On December 15, 2013 the Company renewed a property lease agreement where a director indirectly owns 100% interest. The lease was renewed in May 2018 and expires in 2023 with a total of $692 committed over the remaining term. During the six and three month periods, rent paid for the leased principal premises amounted to $71 (2017 – $71) and $35 (2017 -$35) with no outstanding amounts due as at October 31, 2018.

On May 1, 2016 the Company entered into a property lease agreement where two shareholders each hold a 46.6% interest. This lease expires in 2026 with a total of 7,622 committed over the remaining term. During the six and three month periods, rent paid for the leased principal premises amounted to $491 (2017 – $484) and $245 (2017 - $242) with no outstanding amounts due as at October 31, 2018.

On August 1, 2016 the Company entered into a property lease agreement where two shareholders indirectly own 100% interest. This lease expires in 2026 with a total of $1,831 committed over the remaining term. During the six and three month periods, rent paid for the leased principal premises amounted to $124 (2017 – $122) and $63 (2017 - $61) with no outstanding amounts due as at October 31, 2018.

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

12. EARNINGS PER SHARE

	Three month period ended October 31,		Six month period ended October 31,	
	2018	2017	2018	2017
Weighted average common shares outstanding	76,506,398	76,132,235	76,497,637	76,018,084
Dilutive effect of stock options	10,834	181,206	19,124	152,561
Diluted weighted average common shares outstanding	76,517,232	76,313,441	76,516,761	76,170,645

The weighted average number of diluted common shares excludes 1,819,000 options because they were anti-dilutive during the period (2017 – 40,000).

13. EXPLANATION OF ADOPTION OF IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS AND IFRS 9, FINANCIAL INSTRUMENTS

Revenue

IFRS 15, *Revenue from contracts with customers* ("IFRS 15") was issued by the IASB in May 2014 to replace IAS 11, *Construction Contracts* and IAS 18, *Revenue* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers to determine how and when to recognize revenue. The five-step recognition model used to apply the standard includes; 1) identify the contract(s) with the customer; 2) identify the separate performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to separate performance obligations; and 5) recognize revenue when (or as) each performance obligation is satisfied. The Company has adopted IFRS 15, effective May 1, 2018, using the modified retrospective approach. Under this approach, the Company has recognized the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings as at May 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

The details of the primary changes on adoption of IFRS 15 are set out below.

A. Software license arrangements:

Under the Company's previous revenue recognition policies, license revenue from term-based licenses was generally deferred and amortized on a ratable basis over the license term. Under IFRS 15, the Company has deemed certain licenses to be generally distinct from other performance obligations. Revenue allocated to the distinct license is recognized at the time that both the right-to-use the software has commenced for the term and the software has been made available to the customer. As a result of the change, the Company recognized a $95 decrease in deferred revenue and a corresponding increase to retained earnings within shareholders equity effective May 1, 2018. The change did not have a significant impact on the three or six month periods ending October 31, 2018.

B. Contract assets and costs to obtain a contract:

Under IFRS 15, certain incremental contract acquisition costs, such as sales commissions paid to employees or third parties, are to be recognized as an asset and amortized into operating expenses over time. The expense is recognized on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customers. Under the Company's previous accounting policies, such costs were expensed as incurred. As a result of the change, the Company recognized a $262 increase in contract assets and a corresponding increase to trade and other payables, effective May 1, 2018. The inclusion of sales commissions within the definition of contract costs did not have a significant impact on the three or six month periods ending October 31, 2018.

For comparative purposes, as at April 30, 2018 contract assets of $21,830 previously classified in trade and other receivables have been reclassified to contract assets.

Note #13 continued …

The application of IFRS 15 has no impact on the Company's cash flows from operations or the methods and underlying economics through which it transacts with its customers.

Financial Instruments

IFRS 9, *Financial instruments* ("IFRS 9") was issued by the IASB in July 2014 to replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition. A portion of the Company's trade receivables required an incremental loss allowance in order to comply with the requirements of IFRS 9. As a result, the Company recognized a $116 decrease in accounts receivable and a corresponding decrease to retained earnings within shareholders equity effective May 1, 2018. In addition, the expected loss allowance using the lifetime credit loss approach is applied to contract assets under IFRS 15. The new impairment model under IFRS 9 did not have a significant impact on the three or six month periods ended October 31, 2018.

Below is a summary showing the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial instruments as at May 1, 2018. The new carrying amounts under IFRS 9 are the same as the original carrying amounts under IAS 39, except as described above.

Financial Assets/Liabilities	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Available for sale	Fair value through profit or loss
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Impact to Retained Earnings

The table below provides a reconciliation of retained earnings as at May 1, 2018 from amounts previously reported in 2018 due to the above changes in IFRS 9 and IFRS 15. The below changes did not have a significant impact on tax assets or liabilities.

Impact to opening retained earnings, upon adoption of IFRS 9 and IFRS 15		**May 1, 2018**
Timing of revenue recognition (IFRS 15)	$	95
Expected credit loss impairment model (IFRS 9)		(116)
Total opening impact to retained earnings, upon adoption of IFRS 9 and IFRS 15	$	(21)

14. SUBSEQUENT EVENT

On November 1, 2018, the Company acquired Quintech Electronics and Communications, Inc. ("Quintech"), a privately held company headquartered in Indiana, Pennsylvania, USA, with world class RF solutions and products deployed in over 120 countries. The acquisition was completed for cash consideration of $6,574 at closing with a working capital adjustment to be completed in the third quarter. The Company is in the process of evaluating the Quintech acquisition in accordance with the requirements of IFRS 3, *Business Combinations.*

On December 5, 2018 the Company declared a quarterly dividend of $0.18 with a record date of December 14, 2018 and a payment date of December 21, 2018.