Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three month and Nine month periods ended January 31, 2019 and 2018
(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.

EVERTZ TECHNOLOGIES LIMITED

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(Unaudited)

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EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

As at January 31, 2019 and April 30, 2018
(In thousands of Canadian dollars)

		January 31, 2019		April 30, 2018
Assets				
Current assets				
Cash and cash equivalents	$	88,883	$	94,184
Marketable securities (note 2)		15,283		-
Trade and other receivables		91,348		64,241
Contract assets (note 15)		5,357		21,830
Prepaid expenses		8,092		5,506
Inventories		173,695		168,070
		382,658		353,831
Property, plant and equipment (note 3)		48,262		47,915
Goodwill (note 6)		20,162		18,168
Deferred income taxes		2,620		1,201
	$	453,702	$	421,115
Liabilities				
Current liabilities				
Trade and other payables	$	55,214	$	56,377
Provisions (note 4)		4,137		3,981
Deferred revenue		42,202		28,502
Current portion of long term debt		296		383
Income tax payable		2,209		74
		104,058		89,317
Long term debt		291		515
		104,349		89,832
Equity				
Capital stock (note 5)		139,359		138,675
Share based payment reserve		8,194		7,885
Accumulated other comprehensive earnings		1,090		2,149
Retained earnings		198,495		180,518
		199,585		182,667
Total equity attributable to shareholders		347,138		329,227
Non-controlling interest		2,215		2,056
		349,353		331,283
	$	453,702	$	421,115

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Nine month periods ended January 31, 2019 and 2018
(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	-	-	-	44,896	44,896	381	45,277
Foreign currency translation adjustment	-	-	1,058	-	1,058	(103)	955
Total comprehensive earnings for the period	$ -	$ -	$ 1,058	$ 44,896	$ 45,954	$ 278	$ 46,232
Dividends declared	-	-	-	(41,166)	(41,166)	(500)	(41,666)
Acquisition of non-controlling interest	-	-	-	67	67	(1,758)	(1,691)
Share based compensation expense	-	618	-	-	618	-	618
Exercise of employee stock options	11,069	-	-	-	11,069	-	11,069
Transfer on stock option exercise	2,911	(2,911)	-	-	-	-	-
Balance at January 31, 2018	**$ 138,675**	**$ 7,798**	**$ 1,805**	**$ 186,094**	**$ 334,372**	**$ 1,963**	**$ 336,335**
Balance at April 30, 2018	**$ 138,675**	**$ 7,885**	**$ 2,149**	**$ 180,518**	**$ 329,227**	**$ 2,056**	**$ 331,283**
Net earnings for the period	-	-	-	59,313	59,313	564	59,877
Foreign currency translation adjustment	-	-	(1,059)	-	(1,059)	(30)	(1,089)
Total comprehensive earnings for the period	$ -	$ -	$ (1,059)	$ 59,313	$ 58,254	$ 534	$ 58,788
Dividends declared	-	-	-	(41,315)	(41,315)	(375)	(41,690)
Impact of change in accounting policy (note 15)	-	-	-	(21)	(21)	-	(21)
Share based compensation expense	-	406	-	-	406	-	406
Exercise of employee stock options	587	-	-	-	587	-	587
Transfer on stock option exercise	97	(97)	-	-	-	-	-
Balance at January 31, 2019	**$ 139,359**	**$ 8,194**	**$ 1,090**	**$ 198,495**	**$ 347,138**	**$ 2,215**	**$ 349,353**

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings
(Unaudited)

Three month and nine month periods ended January 31, 2019 and 2018
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended January 31,		Nine month period ended January 31,	
	2019	**2018**	**2019**	**2018**
Revenue (notes 2 and 11)	$ 120,942	$ 99,574	$ 336,311	$ 309,844
Cost of goods sold	53,245	43,595	145,678	135,952
Gross margin	67,697	55,979	190,633	173,892
Expenses				
Selling, administrative and general (note 7)	19,712	17,297	55,414	53,617
Research and development	21,571	20,301	63,974	59,787
Investment tax credits	(2,136)	(2,480)	(6,072)	(7,781)
Foreign exchange loss (gain)	382	3,826	(1,528)	9,188
	39,529	38,944	111,788	114,811
	28,168	17,035	78,845	59,081
Finance income	295	234	964	509
Finance costs	(152)	(154)	(661)	(359)
Other income	1,081	2,089	1,221	2,043
Earnings before income taxes	29,392	19,204	80,369	61,274
Provision for (recovery of) income taxes				
Current	8,033	6,555	21,527	18,925
Deferred	(576)	(2,007)	(1,035)	(2,928)
	7,457	4,548	20,492	15,997
Net earnings for the period	$ 21,935	$ 14,656	$ 59,877	$ 45,277
Net earnings attributable to non-controlling interest	241	124	564	381
Net earnings attributable to shareholders	21,694	14,532	59,313	44,896
Net earnings for the period	$ 21,935	$ 14,656	$ 59,877	$ 45,277
Earnings per share (note 13)				
Basic	$ 0.28	$ 0.19	$ 0.78	$ 0.59
Diluted	$ 0.28	$ 0.19	$ 0.78	$ 0.59

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited)

Three month and nine month periods ended January 31, 2019 and 2018
(In thousands of Canadian dollars)

	Three month period ended January 31,				Nine month period ended January 31,			
		2019		2018		2019		2018
Net earnings for the period	$	21,935	$	14,656	$	59,877	$	45,277
Items that may be reclassified to net earnings:								
Foreign currency translation adjustment		212		846		(1,089)		955
Comprehensive earnings	$	22,147	$	15,502	$	58,788	$	46,232
Comprehensive earnings attributable to non-controlling interest	$	253	$	142	$	534	$	278
Comprehensive earnings attributable to shareholders	$	21,894	$	15,360	$	58,254	$	45,954
Comprehensive earnings	$	22,147	$	15,502	$	58,788	$	46,232

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three month and nine month periods ended January 31, 2019 and 2018
(In thousands of Canadian dollars)

	Three month period ended January 31,		Nine month period ended January 31,	
	2019	**2018**	**2019**	**2018**
Operating activities				
Net earnings for the period	$ 21,935	$ 14,656	$ 59,877	$ 45,277
Add: Items not involving cash				
Depreciation of property, plant and equipment	2,857	2,415	8,307	7,953
Gain on disposal of property, plant and equipment	-	(2,374)	(67)	(2,378)
Realized gain on marketable securities	(585)	-	(585)	-
Unrealized gain on marketable securities	(1,006)	-	(1,058)	-
Share based compensation (note 9)	233	220	406	618
Interest expense	23	4	37	20
Deferred income tax recovery	(576)	(2,007)	(1,035)	(2,928)
	22,881	12,914	65,882	48,562
Current tax expenses, net of investment tax credits	5,779	4,075	15,455	11,144
Income taxes paid	(4,991)	(4,262)	(12,966)	(14,097)
Changes in non-cash working capital items (note 8)	24,469	37,941	(3,580)	34,496
Cash (used in) provided by operating activities	48,138	50,668	64,791	80,105
Investing activities				
Acquisition of property, plant and equipment	(2,917)	(3,555)	(8,271)	(9,148)
Proceeds from disposal of property, plant and equipment	2	6,140	130	6,173
Business acquisition (note 14)	(6,635)	-	(6,635)	-
Acquisition of marketable securities	(4,000)	-	(17,708)	-
Proceeds from sale of marketable securities	4,068	-	4,068	-
Acquisition of non-controlling interest	-	-	-	(1,691)
Cash (used in) provided by investing activities	(9,482)	2,585	(28,416)	(4,666)
Financing activities				
Repayment of long term debt	(104)	(37)	(287)	(151)
Interest paid	(23)	(4)	(37)	(20)
Dividends paid	(13,774)	(13,765)	(41,315)	(41,166)
Dividends paid by subsidiaries to non-controlling interests	-	-	(375)	(500)
Capital stock issued	-	4,906	587	11,069
Cash used in financing activities	(13,901)	(8,900)	(41,427)	(30,768)
Effect of exchange rates on cash and cash equivalents	(1,061)	(151)	(249)	(721)
Increase (decrease) in cash and cash equivalents	23,694	44,202	(5,301)	43,950
Cash and cash equivalents beginning of period	65,189	54,022	94,184	54,274
Cash and cash equivalents end of period	$ 88,883	$ 98,224	$ 88,883	$ 98,224

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three month and Nine month periods ended January 31, 2019 and 2018
(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 March 1, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Changes in Accounting Policies

Financial Instruments

IFRS 9, *Financial instruments* (“IFRS 9”) was issued by the IASB in July 2014 and replaced 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 15 for the new policy and further details.

During the nine month period ended January 31, 2019, 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.

Note #2 continued …

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 15 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 January 31, 2019 is $39,996. 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

	January 31, 2019			April 30, 2018		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Office furniture and equipment	$ 4,156	$ 2,471	$ 1,685	$ 3,881	$ 2,262	$ 1,619
Research and development equipment	33,356	21,061	12,295	36,756	23,529	13,227
Airplanes	11,134	7,865	3,269	10,806	7,514	3,292
Machinery and equipment	62,940	46,970	15,970	61,880	46,654	15,226
Leaseholds	8,735	4,929	3,806	8,620	4,486	4,134
Land	2,379	-	2,379	2,430	-	2,430
Buildings	11,525	2,667	8,858	10,603	2,616	7,987
	$ 134,225	$ 85,963	$ 48,262	$ 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	25	80	105
Foreign exchange differences	60	(9)	51
Balance as at January 31, 2019	**$ 3,629**	**$ 508**	**$ 4,137**

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**	**$**	**138,675**
Issued on exercise of stock options	38,000		587
Transferred on stock option exercise	-		97
Balance as at January 31, 2019	**76,519,746**	**$**	**139,359**

Dividends Per Share
During the quarter, $0.18 in dividends per share was declared (2018 - $0.18).

6. GOODWILL

The changes in carrying amounts of goodwill are as follows:

		Cost
Balance as at April 30, 2018	**$**	**18,168**
Business acquisition (note 14)		2,027
Foreign exchange differences		(33)
Balance as at January 31, 2019	**$**	**20,162**

7. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended January 31,				**Nine month period ended January 31,**			
		2019		**2018**		**2019**		**2018**
Selling and administrative	$	17,570	$	15,846	$	49,864	$	47,699
Share based compensation (note 9)		1,245		748		3,152		3,374
Depreciation of property, plant and equipment (non-production)		897		703		2,398		2,544
	$	19,712	$	17,297	$	55,414	$	53,617

8. STATEMENT OF CASH FLOWS

Changes in non–cash working capital items

	Three month period ended January 31,				**Nine month period ended January 31,**			
		2019		**2018**		**2019**		**2018**
Trade and other receivables	$	7,567	$	22,157	$	(26,122)	$	23,166
Contract assets		6,118		4,280		16,473		3,578
Prepaid expenses		(987)		(909)		(2,479)		(3,351)
Inventories		1,106		2,014		(2,918)		5,162
Trade and other payables		2,833		8,395		(2,474)		1,713
Deferred revenue		7,622		1,968		13,784		4,046
Provisions		210		36		156		182
	$	24,469	$	37,941	$	(3,580)	$	34,496

9. 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**	**$**	**16.78**
Granted	557,500		15.74
Exercised	(38,000)		15.45
Forfeited	(103,000)		16.83
Balance as at January 31, 2019	**2,657,500**	**$**	**16.58**

Stock options outstanding as at January 31, 2019 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	383,000	1.4	225,000	$	15.36
$15.61 - $16.87	$	15.92	650,500	2.8	-	$	-
$17.03	$	17.03	1,319,000	0.2	1,045,600	$	17.03
$17.19 - $18.63	$	17.55	305,000	2.6	90,000	$	17.70
Totals	$	16.58	2,657,500	1.7	1,360,600	$	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	(11,000)
Balance as at January 31, 2019	**679,000**

As at January 31, 2019, the average remaining contractual life for outstanding RSUs is 0.6 years (2018 – 1.3 years).

Note #9 continued …

Compensation expense

Stock Option Plan

The share based compensation expense that has been charged against earnings over the nine month and three month periods is $406 (2018 - $618) and $233 (2018 – $220). Compensation expense on grants during the nine month and three month period was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine month period ended January 31, 2019	Nine month period ended January 31, 2018
Risk-free interest rate	2.12%	1.28%
Dividend yield	4.57%	4.17%
Expected life	5 years	5 years
Expected volatility	15%	16%
Weighted average grant-date fair value	$1.10	$1.25

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 18% (2018 – 21%).

Restricted Share Unit Plan

The share based compensation expense that has been charged against earnings over the nine month and three month period is $2,745 (2018 - $2,755) and $1,012 (2018 - $17). Share based compensation expense was calculated using a weighted average forfeiture rate of 6% (2018 – 6%). As at January 31, 2019, the total liability included within trade and other payables is $10,280 (2018 - $6,432).

10. 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 January 31,		Nine month period ended January 31,	
Revenue	2019	2018	2019	2018
United States	$ 76,938	$ 61,503	$ 219,059	$ 184,920
International	39,457	29,838	102,100	109,211
Canada	4,547	8,233	15,152	15,713
	$ 120,942	$ 99,574	$ 336,311	$ 309,844

	January 31, 2018		April 30, 2018	
	Property, Plant and Equipment	Goodwill	Property, Plant and Equipment	Goodwill
United States	$ 5,852	$ 2,436	$ 5,297	$ 367
International	11,721	17,726	10,250	17,801
Canada	30,689	-	32,368	-
	$ 48,262	$ 20,162	$ 47,915	$ 18,168

11. REVENUE

	Three month period ended January 31,				Nine month period ended January 31,			
		2019		2018		2019		2018
Hardware, software including related services, training and commissioning	$	116,506	$	90,720	$	323,687	$	283,339
Long term contract revenue		4,436		8,854		12,624		26,505
	$	120,942	$	99,574	$	336,311	$	309,844

12. 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 $10,879 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to $664 (2018 – $648) and $221 (2018 - $216) with no outstanding amounts due as at January 31, 2019.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2021 with a total of $679 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to $198 (2018 – $198) and $66 (2018 - $66) with no outstanding amounts due as at January 31, 2019.

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 $8,926 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to $628 (2018 – $627) and $210 (2018 - $209) with no outstanding amounts due as at January 31, 2019.

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 $5,556 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to $364 (2018 – $364) and $121 (2018 - $121) with no outstanding amounts due as at January 31, 2019.

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 $669 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to $107 (2018 – $106) and $36 (2018 - $35) with no outstanding amounts due as at January 31, 2019.

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 7,376 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to $736 (2018 – $725) and $245 (2018 - $242) with no outstanding amounts due as at January 31, 2019.

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 $2,020 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to $187 (2018 – $182) and $63 (2018 - $61) with no outstanding amounts due as at January 31, 2019.

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

13. EARNINGS PER SHARE

	Three month period ended January 31,		Nine month period ended January 31,	
	2019	**2018**	**2019**	**2018**
Weighted average common shares outstanding	76,519,746	76,338,379	76,505,007	76,123,703
Dilutive effect of stock options	8,974	164,514	14,378	162,801
Diluted weighted average common shares outstanding	76,528,720	76,502,893	76,519,385	76,286,504

The weighted average number of diluted common shares excludes 1,764,000 options because they were anti-dilutive during the period (2018 – 47,500).

14. BUSINESS ACQUISITIONS

On November 1, 2018, the Company acquired 100% equity of 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 fair value of total consideration transferred upon acquisition includes cash considerations of $6,635, net of $23 in cash acquired. The purchase agreement also includes potential management fees based on future earnings before interest, taxes, depreciation and amortization ("EBITDA") of Quintech from November 1, 2018 through to December 31, 2020, potentially resulting in additional expenses of zero through to an undiscounted maximum of $3,286, and will be expensed as incurred. The acquisition was accounted for under the acquisition method and its operating results have been included in these financial statements since the date of acquisition. Since the date of acquisition, a total of $3,896 in revenue and $594 in earnings were included within the consolidated statement of earnings. During fiscal 2019 the Company recognized $186 of transaction costs in selling, administrative and general expenses relating to the transaction.

The preliminary allocation of the purchase price is based on management's estimate of the fair value of assets acquired and liabilities assumed. The allocation of the purchase price was as follows, and is subject to adjustment as additional information is evaluated by the Company:

Trade and other receivables	$	1,734
Inventories		3,045
Income tax receivable		3
Trade and other payables		(1,264)
Deferred revenue		(11)
Property, plant and equipment		685
Prepaid expenses		161
Deferred tax liability		255
Goodwill (not tax deductible)		2,027
	$	6,635

The Goodwill of $2,027 arising from the acquisition consists largely of the expansion of the Company's product lines and potential customer base. Fair value of trade and other receivables is equivalent to gross receivables as no amount within receivables has been deemed uncollectable.

15. 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 nine month periods ending January 31, 2019.

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 nine month periods ending January 31, 2019.

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.

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 January 31, 2019.

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)**

16. SUBSEQUENT EVENT

On March 13, 2019 the Company declared a quarterly dividend of $0.18 with a record date of March 22, 2019 and a payment date of March 29, 2019.