



**THE COMPLETE SOLUTION PROVIDER**



**ANNUAL REPORT**

**2013**

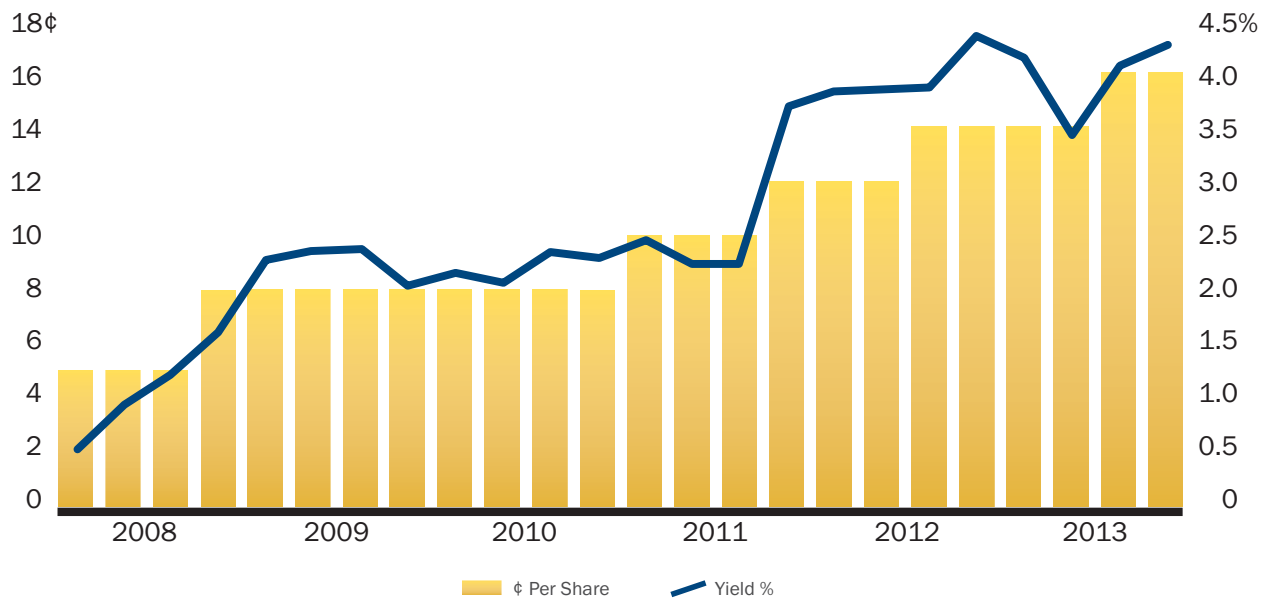
**EVERTZ TECHNOLOGIES LIMITED**



## 2013 HIGHLIGHTS

PROFITABILITY	INNOVATION	ENDURANCE	GROWTH
"36 Consecutive Profitable Quarters" Industry Leading Pre-Tax Profit	Re-investment of Sales in R&D	"\$1 Billion Market Value" Net Cash & Equivalents	Record Annual Revenue
<b>28%</b>	<b>17%</b>	<b>\$221M</b>	<b>\$316M</b>

### QUARTERLY DIVIDEND HISTORY



### OPERATING RESULTS

Year ended April 30, 2013

(in thousands of dollars except gross margin percentage and EPS)	2013	2012	2011
Sales	\$ <b>316,305</b>	\$ 293,400	\$ 309,259
Gross Margins	<b>181,866</b>	166,168	178,309
Gross Margin %	<b>57.5%</b>	56.6%	57.7%
Pre-Tax Earnings	<b>88,846</b>	81,840	108,346
Net Earnings	<b>65,163</b>	59,956	78,259
Diluted EPS	<b>0.88</b>	0.81	1.04

## A LETTER TO FELLOW SHAREHOLDERS

Over the past several years, our industry has been in a technical transition period. Evertz has prepared for these challenges through our long-term strategy of technology development and delivering complete end to end solutions. Evertz has emerged as one of the largest pure players in the broadcast media technology sector, with the vision and platforms in IP based infrastructure to continue to be a leader in the ensuing years ahead.

In Fiscal 2013, the global economic environment remained challenging, impacted by continued uncertainty in the European market, lackluster public spending and political turmoil in the Middle East. Despite these challenges, Evertz succeeded in generating record annual revenues in the year. Further, we continued to deliver industry leading profitability while expanding our market through growth of our product portfolio, increased channel presence, and the completion of a selective acquisition. Highlights from the year include:

- Record annual revenues of over \$316 million;
- Earnings before taxes of \$89 million;
- Annual investment in research and development increased 20% to \$53 million;
- Our dedicated staff grew to 1,246;
- Continued expansion through the completion of a selective acquisition and the opening of North American and International sales offices;
- Year-end net cash and instruments held for trading increased to \$221 million;
- Inclusion in the S&P/TSX Canadian Dividend Aristocrats Index; and
- Quarterly cash dividend increase of 14% to 16¢ per share.

### DRIVEN BY DEMAND FOR MORE HD CONTENT AND TV ANYWHERE, ANYTIME

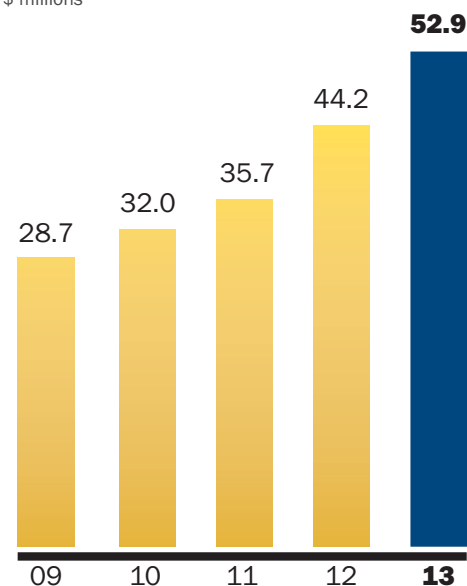
Today our customers' evolving needs are driven by an unsatiated global demand for more high-definition television channels and by an increasing consumer appetite for high quality video delivered anywhere, anytime across a broad array of devices "TV Everywhere". Evertz technologically superior solutions provide compelling advantages which enable our broadcast, cable, telco, IPTV, satellite, content creator and new media customers to address this increasingly complex video landscape and to implement the multi-screen TV Everywhere services of the future.

### IP-BASED & IT-BASED TECHNOLOGY INNOVATION

Evertz positive outlook is reinforced by our long standing commitment and investment in the internal development of new leading edge technologies and in the recruitment of talented individuals. In fact, during the past year alone, Evertz has increased our annual investment in R&D by 20% to \$53 million. The annual investments fueled our high paced development activities within our core product portfolio and have funded intensive longer term R&D initiatives, such as high performance low latency IP networking technologies, Evertz Compression and Media Transport Solutions, our IT-based architecture and Evertz award winning Dreamcatcher, the next generation of live slow motion replay for sports broadcast and studio production. These initiatives are enabling our customers to migrate to IP and IT based solutions, while establishing new benchmarks for performance and operational efficiency and significantly expanding Evertz addressable market.

### R&D INVESTMENTS OVER 5 YEARS

\$ millions



## AWARDS & ACHIEVEMENTS

Recognition for Evertz leadership commitment and innovation was exemplified this past year through several awards including:



**TV Technology - 2013 STAR (Superior Technology Award Recipient) Award to Evertz 3080IPX.** The STAR Awards are designed to celebrate and showcase the preeminent technological innovations available to the media industry today. Evertz IPX high performance low latency IP integrated switching fabric provides video focused flexibility and signal integrity for video transport applications compatible with widely available Network Topologies.



**Broadcast Engineering - 2013 Pick Hit Award to Dreamcatcher.** *Dreamcatcher* is the next generation of live slow motion replay. *Dreamcatcher's* superior editing technology along with its highly scalable and flexible system architecture enables the most reliable and precise slo-mo replays in the industry. It's flexible design and intuitive graphical user interface offers amazing new visualization tools for managing all media.



**TV Technology Europe - 2012 STAR (Superior Technology Award Recipient) Award to 3480MXP Media Exchange Platform.** Evertz Media Exchange Platform combines the most advanced compression technology and key system level functionality from Evertz extensive video, audio and VBI processing product lines. This Microsoft Mediaroom certified platform simplifies and "Future Proofs" video delivery, offering a Multi-Service encoding/transcoding/multiplexing/streaming, Multi-Screen Multi-Format Migration Solution in a box.



Evertz was named a Platinum Member of **Canada's 50 Best Managed Companies**, which recognizes excellence in Canadian-owned and Canadian-managed companies. Canada's 50 Best Managed Companies identifies Canadian corporate success through companies focused on their core vision, creating stakeholder value and excelling in the global economy.

## FOUNDATION FOR GROWTH

In this evolving broadcast and high quality video infrastructure environment, we are well positioned with exciting opportunities, as a company built upon a long term vision of generating value through continuous investment in our comprehensive technology portfolio, maintaining strict operating discipline and expanding the reach of our sales channels.

We generate significant cash from operations and have built a solid balance sheet, with total assets of \$465 million at the end of fiscal 2013, including approximately \$221 million in cash and instruments held for trading. We view these strengths as a competitive advantage, providing financial flexibility and allowing us to provide significant value to our shareholders through the continued payment of dividends, while adhering to our strategy of investment into new technologies.

## EVOLVING & TRANSITIONING MARKET

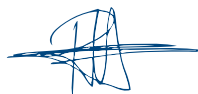
Our 2014 plan is to advance the North American market installations and gain broader adoption of the new technologies we have invested heavily in for the past several years. Evertz will leverage its high profile key customer installations of the long term technology initiatives of:

- High bandwidth low latency deterministic IP networking;
- IT-based solutions in station group central-cast and outsource;
- Evertz Compression & Media Transport solutions; and
- Dreamcatcher in sports slow motion replay.

These technologies provide superior solutions to enable our broadcast, cable, telco, satellite, content creator and new media customers to address and implement the complex multi-screen TV Everywhere services of the future and to cost effectively transition to evolving IP infrastructure and IT based workflows. In addition, the high bandwidth low latency IP networking and IT-based solutions together with Evertz unified control and network management systems, open the door to large market opportunities with next generation video centric data centers and software defined networking applications.

We are pleased with the significant developments and key deployments of the new product technologies and we are excited to enter fiscal 2014 with significant momentum. As one of the largest pure players in our technology sector, we believe Evertz is poised for continued long term success.

We would like to take this opportunity to thank our employees, channel partners, customers and shareholders for their continued support and we look forward to an exciting, successful future.



**Romolo Magarelli**  
Director, President and Chief Executive Officer



**Douglas A. DeBruin**  
Executive Chairman

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year ended April 30, 2013

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 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 June 7, 2013.

## OVERVIEW

Evertz is a leading equipment provider to the television broadcast telecommunications and new-media industries. Founded in 1966, Evertz designs, manufactures and distributes video and audio infrastructure equipment for the production, post-production, transmission and distribution of television content. The Company's solutions are purchased by content creators, broadcasters, specialty channels and multi-system operators 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 video solutions.

Our plan is to bring to market the new technologies that we have invested heavily in for the past several years. These technologically superior solutions help to enable our broadcast, cable, telco, satellite and content creator customers to address and implement their video infrastructure requirements.

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.



## **SIGNIFICANT ACCOUNTING POLICIES**

Outlined below are those policies considered particularly significant:

### **Basis of Measurement**

The 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**

The 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**

The 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 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 or receivable 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.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand and in the bank, net of outstanding bank overdrafts.

**Inventories**

Inventories consist of raw materials and supplies, 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 annually.



### **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 more 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 group 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 of 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*

Intangible assets 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 recorded gross of 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 subsidiary entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are presented in Canadian dollars ('CDN'), which is the functional currency of the parent 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 unused tax losses, credits and other 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 to 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 15 of consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period 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 share based payment 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 is comprised 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. Investment tax credits are recognized and recorded within income tax receivable when there is reasonable assurance they will be received.

### **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:

Asset/Liability	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Instruments held for trading	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	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 fair value through profit or loss, which are initially measured at fair value. Transaction costs in respect of financial instruments are 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.

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.

#### *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. Objective evidence of impairment of a financial asset can include a significant or prolonged decline in the fair value of an asset, default or delinquency by a debtor, indication that a debtor will enter bankruptcy or financial re-organization or the disappearance of an active market for a security.

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 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, application of the percentage of completion method on long-term contracts, 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.

#### **Non-current assets held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale and are not depreciated. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. The assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

#### **NEW AND REVISED IFRSs ISSUED BUT NOT YET EFFECTIVE**

Following is a listing of amendments, revisions and new International Financial Reporting Standards issued but not yet effective. Unless otherwise indicated, earlier application is permitted. The Company has not yet determined the impact of the changes to the adoption of the following standards.

### Financial Instruments

IFRS 7, Financial instruments: Disclosures ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognized financial instruments that are offset in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013.

IFRS 9, Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and October 2010, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 introduces new requirements for the financial reporting of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IAS 32, Financial instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

### 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*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

### 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. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

### Fair Value Measurements

IFRS 13, *Fair Value Measurements* ("IFRS 13") provides new guidance on fair value measurement and disclosure requirements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

### 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.

### YEAR END HIGHLIGHTS

Revenue increased to \$316.3 million for the year ended April 30, 2013 as compared to \$293.4 million for the year ended April 30, 2012.

Net earnings for the year ended April 30, 2013 were \$65.2 million as compared to \$60.0 million for the year ended April 30, 2012. Fully-diluted earnings per share were \$0.88 for the year ended April 30, 2013 as compared to \$0.81 for the year ended April 30, 2012.

Gross margin during the year ended April 30, 2013 was 57.5% as compared to 56.6% for the year ended April 30, 2012.



Selling and administrative expenses for the year ended April 30, 2013 was \$53.1 million compared to the year ended April 30, 2012 of \$47.1 million. As a percentage of revenue, selling and administrative expenses totaled 16.8% for the year ended April 30, 2013 as opposed to 16.1% for the year ended April 30, 2012.

Research and development (“R&D”) expenses increased by \$8.7 million or approximately 19.6% compared to the year ended April 30, 2012.

Cash and instruments held for trading were \$220.7 million and working capital was \$352.2 million as at April 30, 2013 as compared to cash and instruments held for trading of \$185.7 million and working capital of \$325.7 million as at April 30, 2012.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

	Year Ended April 30,		
	2013	2012	2011
Revenue	\$ 316,305	\$ 293,400	\$ 309,259
Cost of goods sold	134,439	127,232	130,950
Gross margin	181,866	166,168	178,309
Expenses			
Selling and administrative	53,106	47,118	37,583
General	5,366	6,788	6,680
Research and development	52,851	44,200	35,719
Investment tax credits	(13,178)	(9,872)	(8,410)
Foreign exchange (gain) loss	(3,037)	(2,342)	2,592
	95,108	85,892	74,164
	86,758	80,276	104,145
Finance income	2,383	1,915	1,080
Finance costs	(559)	(197)	(187)
Other income and expenses	264	(154)	3,308
Earnings before income taxes	88,846	81,840	108,346
Provision for income taxes			
Current	21,816	21,669	29,207
Deferred	1,867	215	880
	23,683	21,884	30,087
Net earnings for the year	\$ 65,163	\$ 59,956	\$ 78,259
Net earnings attributable to non-controlling interest	573	416	545
Net earnings attributable to shareholders	64,590	59,540	77,714
Net earnings for the year	\$ 65,163	\$ 59,956	\$ 78,259
Earnings per share			
Basic	\$ 0.88	\$ 0.81	\$ 1.05
Diluted	\$ 0.88	\$ 0.81	\$ 1.04

**SELECTED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)****CONSOLIDATED BALANCE SHEET DATA**

	As at April 30,		
	<b>2013</b>	2012	2011
Cash and instruments held for trading	\$ <b>220,668</b>	\$ 185,669	\$ 192,025
Inventory	<b>111,619</b>	109,211	106,422
Working capital	<b>352,164</b>	325,677	326,029
Total assets	<b>465,307</b>	431,864	410,511
Shareholders' equity	<b>406,797</b>	378,417	372,209
Number of common shares outstanding:			
Basic	<b>73,632,566</b>	73,225,786	74,470,606
Fully-diluted	<b>78,246,966</b>	77,904,086	78,577,206
Weighted average number of shares outstanding:			
Basic	<b>73,300,647</b>	73,612,759	73,989,997
Fully-diluted	<b>73,816,338</b>	73,812,767	74,879,139

## SELECTED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

### CONSOLIDATED STATEMENT OF OPERATIONS DATA

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

	2013	2012	2011
Revenue	100.0%	100.0%	100.0%
Cost of goods sold	42.5%	43.4%	42.3%
Gross margin	57.5%	56.6%	57.7%
Expenses			
Selling and administrative	16.8%	16.1%	12.1%
General	1.6%	2.3%	2.2%
Research and development	16.7%	15.1%	11.6%
Investment tax credits	(4.2%)	(3.3%)	(2.7%)
Foreign exchange (gain) loss	(1.0%)	(0.8%)	0.8%
	30.1%	29.4%	24.0%
Earnings before undernoted	27.4%	27.2%	33.7%
Finance income	0.8%	0.7%	0.3%
Finance costs	(0.2%)	(0.0%)	(0.1%)
Other income and expenses	0.1%	(0.0%)	1.1%
Earnings before income taxes	28.1%	27.9%	35.0%
Provision for income taxes			
Current	6.9%	7.4%	9.4%
Deferred	0.6%	0.1%	0.3%
	7.5%	7.5%	9.7%
Net earnings for the year	20.6%	20.4%	25.3%
Net earnings attributable to non-controlling interest	0.2%	0.1%	0.2%
Net earnings attributable to shareholders	20.4%	20.3%	25.1%
Net earnings for the year	20.6%	20.4%	25.3%
Earnings per share:			
Basic	\$ 0.88	\$ 0.81	\$ 1.05
Diluted	\$ 0.88	\$ 0.81	\$ 1.04

## 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 65% 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% to 80% of the Company's revenues are denominated in US dollars.

**REVENUE**

(In thousands of Canadian dollars)	Year Ended April 30,		
	2013	2012	2011
United States/Canada	\$ 173,244	\$ 149,884	\$ 172,110
International	143,061	143,516	137,149
	\$ 316,305	\$ 293,400	\$ 309,259

Total revenue for the year ended April 30, 2013 was \$316.3 million, an increase of \$22.9 million as compared to revenue of \$293.4 million for the year ended April 30, 2012.

Revenue in the United States/Canada region increased to \$173.2 million for the year ended April 30, 2013, an increase of 15.6% or \$23.3 million as compared to revenue of \$149.9 million for the year ended April 30, 2012.

Revenue in the International region was \$143.1 million for the year ended April 30, 2013, consistent with revenue of \$143.5 million for the year ended April 30, 2012.

**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)	Year Ended April 30,		
	2013	2012	2011
Gross margin	\$ 181,866	\$ 166,168	\$ 178,309
Gross margin % of sales	57.5%	56.6%	57.7%

Gross margin for the year ended April 30, 2013 was \$181.9 million, compared to \$166.2 million for the year ended April 30, 2012. As a percentage of revenue, the gross margin was 57.5% for the year ended April 30, 2013, as compared to 56.6% for the year ended April 30, 2012.

Gross margins vary depending on the product mix, geographic distribution and competitive pricing pressures. For the year ended April 30, 2013 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

	Year Ended April 30,		
(In thousands of Canadian dollars)	2013	2012	2011
Selling and administrative	\$ 53,106	\$ 47,118	\$ 37,583
Selling and administrative % of sales	16.8%	16.1%	12.1%

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 year ended April 30, 2013 were \$53.1 million or 16.8% of revenue as compared to selling and administrative expenses of \$47.1 million or 16.1% of revenue for the year ended April 30, 2012.

The increase of \$6.0 million for the year was a result of increased sales staff, sales activity and travel expenses associated with new product introductions, the opening of five new offices, the inclusion of operating costs associated with the business acquired in December 2012 and an increase in bad debt expense of \$1.2 million.

## RESEARCH AND DEVELOPMENT (R&D)

	Year Ended April 30,		
(In thousands of Canadian dollars)	2013	2012	2011
Research and development expenses	\$ 52,851	\$ 44,200	\$ 35,719
Research and development % of sales	16.7%	15.1%	11.6%

For the year ended April 30, 2013, gross R&D expenses increased to \$52.9 million, an increase of 19.6% or \$8.7 million as compared to an expense of \$44.2 million for the year ended April 30, 2012.

The increase of \$8.7 million was predominantly a result of planned growth of R&D personnel and corresponding increases in materials and prototypes.

**Foreign Exchange**

For the year ended April 30, 2013, the foreign exchange gain was \$3.0 million as compared to a foreign exchange gain for the same period ended April 30, 2012 of \$2.3 million.

**Finance Income, Finance Costs, Other Income and Expenses**

For the year ended April 30, 2013, finance income, finance costs, other income and expenses netted to a gain of \$2.1 million.

**LIQUIDITY AND CAPITAL RESOURCES**

**Liquidity and Capital Resources**

(in thousands of dollars except ratios)	Year Ended April 30,	
Key Balance Sheet Amounts and Ratios:	<b>2013</b>	2012
Cash and instruments held for trading	\$ <b>220,668</b>	\$ 185,669
Working capital	\$ <b>352,164</b>	\$ 325,677
Long-term assets	\$ <b>64,919</b>	\$ 59,702
Long-term debt	\$ <b>1,539</b>	\$ 1,875
Days sales outstanding in accounts receivable	<b>66</b>	77

**Statement of Cash Flow Summary**

	Year Ended April 30,	
	<b>2013</b>	2012
Operating activities	\$ <b>89,610</b>	\$ 66,643
Investing activities	\$ <b>(14,550)</b>	\$ (12,079)
Financing activities	\$ <b>(40,146)</b>	\$ (56,229)
Net increase (decrease) in cash	\$ <b>34,993</b>	\$ (2,170)

**Operating Activities**

For the year ended April 30, 2013, the Company generated cash from operations of \$89.6 million, compared to \$66.6 million for the year ended April 30, 2012. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$78.6 million for the year ended April 30, 2013, an increase of \$5.6 million compared to \$73.0 million for the year ended April 30, 2012.

**Investing Activities**

The Company used cash from investing activities of \$14.6 million for the year ended April 30, 2013 which was predominantly the investment of a technology based company for \$3.8 million net of cash and the acquisition of capital assets of \$11.0 million, compared to cash used of \$12.1 million for the year ended April 30, 2012.

**Financing Activities**

For the year ended April 30, 2013, the Company used cash from financing activities of \$40.1 million, which was principally driven by dividends paid of \$42.9 million, capital stock repurchases of \$4.2 million and offset by the issuance of capital stock pursuant to the Company Stock Option Plan of \$8.0 million.



## WORKING CAPITAL

As at April 30, 2013, the Company had cash and instruments held for trading of \$220.7 million, compared to \$185.7 million at April 30, 2012.

The Company had working capital of \$352.2 million as at April 30, 2013 compared to \$325.7 million as at April 30, 2012.

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.

Day sales outstanding in accounts receivable were 66 days at April 30, 2013 as compared to 77 for April 30, 2012.

## SHARE CAPITAL STRUCTURE

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

	Year Ended April 30,	
	2013	2012
Common shares	73,632,566	73,225,786
Stock options granted and outstanding	4,614,400	4,678,300

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, instruments held for trading, trade and other receivables, trade and other payables 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 approximates 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 is maintained level one hierarchy and 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. Contingent consideration is level three hierarchy. Liability has not changed since the acquisition.
- III. The carrying amounts of cash, trade and other receivables, trade and other payables approximate their fair value due to the short-term nature of these financial instruments. The carrying amount of long term debt approximates its fair value as it incurs interest at a variable rate adjusted for changes in the market rate.

## CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as at April 30, 2013:

	Payments Due by Period				
(In thousands)	Total	Less than 1 year	2-3 Years	4-5 Years	Thereafter
Operating leases	\$ 18,836	\$ 3,452	\$ 6,118	\$ 5,615	\$ 3,651
Other long-term debt	\$ 1,929	\$ 390	\$ 550	\$ 335	\$ 654
	\$ 20,765	\$ 3,842	\$ 6,668	\$ 5,950	\$ 4,305

**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 April 30, 2013. 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							
	2013		2012				2011	
	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31
(Unaudited)								
Sales	\$ 65,415	\$ 71,771	\$ 83,158	\$ 95,961	\$ 76,340	\$ 71,445	\$ 70,487	\$ 75,128
Cost of goods sold	28,336	31,499	34,298	40,306	33,557	31,283	30,111	32,281
Gross margin	\$ 37,079	\$ 40,272	\$ 48,860	\$ 55,655	\$ 42,783	\$ 40,162	\$ 40,376	\$ 42,847
Operating expenses	26,557	23,164	22,966	22,421	25,309	22,805	18,393	19,385
Earnings from operations	\$ 10,522	\$ 17,108	\$ 25,894	\$ 33,234	\$ 17,474	\$ 17,357	\$ 21,983	\$ 23,462
Non-operating income	509	872	231	476	836	174	165	389
Earnings before taxes	\$ 11,031	\$ 17,980	\$ 26,125	\$ 33,710	\$ 18,310	\$ 17,531	\$ 22,148	\$ 23,851
Net earnings	\$ 8,110	\$ 12,984	\$ 18,907	\$ 24,589	\$ 13,380	\$ 12,637	\$ 15,996	\$ 17,527
Net earnings per share:								
Basic	\$ 0.11	\$ 0.18	\$ 0.26	\$ 0.34	\$ 0.19	\$ 0.17	\$ 0.22	\$ 0.23
Diluted	\$ 0.11	\$ 0.18	\$ 0.26	\$ 0.34	\$ 0.18	\$ 0.17	\$ 0.22	\$ 0.23
Dividends per share:	\$ 0.16	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.12	\$ 0.12	\$ 0.12

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. Net earnings represent net earnings attributable to shareholders.

#### **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 April 30, 2013.

Management has concluded that, as of April 30, 2013, 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 April 30, 2013, 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 April 30, 2013 that have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

#### **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.*

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Evertz Technologies Limited

We have audited the accompanying consolidated financial statements of Evertz Technologies Limited, which comprise the consolidated statements of financial position as at April 30, 2013 and April 30, 2012, and the consolidated statements of changes in equity, earnings, comprehensive earnings, and cash flows for the years ended April 30, 2013 and April 30, 2012, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Evertz Technologies Limited as at April 30, 2013 and April 30, 2012, and its financial performance and its cash flows for the years ended April 30, 2013 and April 30, 2012 in accordance with International Financial Reporting Standards.



**CHARTERED PROFESSIONAL ACCOUNTANTS, CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS**

June 12, 2013  
Burlington, Ontario

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year ended April 30, 2013

(In thousands of Canadian dollars)	<b>April 30, 2013</b>	April 30, 2012
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 208,658	\$ 173,665
Instruments held for trading	12,010	12,004
Trade and other receivables (note 4)	57,087	61,806
Inventories (note 5)	111,619	109,211
Income tax receivable	7,233	11,695
	<b>\$ 396,607</b>	<b>\$ 368,381</b>
Assets held for sale (note 23)	<b>\$ 3,781</b>	<b>\$ 3,781</b>
Property, plant and equipment (note 6)	<b>\$ 46,637</b>	<b>\$ 41,190</b>
Goodwill (note 7)	<b>17,724</b>	17,507
Intangible assets (note 8)	<b>558</b>	1,005
	<b>\$ 465,307</b>	<b>\$ 431,864</b>
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	\$ 36,237	\$ 37,034
Provisions (note 9)	1,104	809
Deferred revenue	6,712	4,460
Current portion of long term debt (note 10)	390	401
	<b>\$ 44,443</b>	<b>\$ 42,704</b>
Long term debt (note 10)	<b>\$ 1,539</b>	<b>\$ 1,875</b>
Deferred taxes (note 22)	<b>9,590</b>	7,331
	<b>\$ 55,572</b>	<b>\$ 51,910</b>
<b>EQUITY</b>		
Capital stock (note 11)	\$ 81,453	\$ 67,458
Share based payment reserve	10,727	14,320
Accumulated other comprehensive loss	(1,063)	(906)
Retained earnings	315,680	297,545
	<b>\$ 314,617</b>	<b>\$ 296,639</b>
Total equity attributable to shareholders	<b>406,797</b>	378,417
Non-controlling interest	<b>2,938</b>	1,537
	<b>409,735</b>	379,954
	<b>\$ 465,307</b>	<b>\$ 431,864</b>

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended April 30

(In thousands of Canadian dollars)	Capital stock	Share- based payment reserve	Accumulated other comprehen- sive income (loss)	Retained earnings	Total equity attributable to share- holders	Non- control- ling interest	Total Equity
<b>Balance at April 30, 2011</b>	<b>\$ 58,882</b>	<b>\$ 13,762</b>	<b>\$ 440</b>	<b>\$ 299,125</b>	<b>\$ 372,209</b>	<b>\$ 1,550</b>	<b>\$ 373,759</b>
Net earnings for the year	-	-	-	59,540	59,540	416	59,956
Foreign currency translation adjustment	-	-	(1,346)	-	(1,346)	(29)	(1,375)
Total comprehensive income for the year	\$ -	\$ -	\$ (1,346)	\$ 59,540	\$ 58,194	\$ 387	\$ 58,581
Dividends declared	-	-	-	(36,862)	(36,862)	(400)	(37,262)
Share based compensation expense	-	3,164	-	-	3,164	-	3,164
Exercise of employee stock options	7,588	-	-	-	7,588	-	7,588
Transfer on stock option exercise	2,606	(2,606)	-	-	-	-	-
Repurchase of common shares	(1,618)	-	-	(24,258)	(25,876)	-	(25,876)
<b>Balance at April 30, 2012</b>	<b>\$ 67,458</b>	<b>\$ 14,320</b>	<b>\$ (906)</b>	<b>\$ 297,545</b>	<b>\$ 378,417</b>	<b>\$ 1,537</b>	<b>\$ 379,954</b>
Net earnings for the year	-	-	-	64,590	64,590	573	65,163
Foreign currency translation adjustment	-	-	(157)	-	(157)	8	(149)
Total comprehensive income for the year	\$ -	\$ -	\$ (157)	\$ 64,590	\$ 64,433	\$ 581	\$ 65,014
Dividends declared	-	-	-	(42,501)	(42,501)	(400)	(42,901)
Business acquisitions	-	-	-	-	-	1,220	1,220
Share based compensation expense	-	2,681	-	-	2,681	-	2,681
Exercise of employee stock options	8,013	-	-	-	8,013	-	8,013
Transfer on stock option exercise	6,274	(6,274)	-	-	-	-	-
Repurchase of common shares	(292)	-	-	(3,954)	(4,246)	-	(4,246)
<b>Balance at April 30, 2013</b>	<b>\$ 81,453</b>	<b>\$ 10,727</b>	<b>\$ (1,063)</b>	<b>\$ 315,680</b>	<b>\$ 406,797</b>	<b>\$ 2,938</b>	<b>\$ 409,735</b>

See accompanying notes to the consolidated financial statements.



# CONSOLIDATED STATEMENTS OF EARNINGS

Year ended April 30

(In thousands of Canadian dollars, except per share amounts)	<b>2013</b>		2012	
Revenue (note 12)	<b>\$</b>	<b>316,305</b>	\$	293,400
Cost of goods sold		<b>134,439</b>		127,232
Gross margin		<b>181,866</b>		166,168
Expenses				
Selling, administrative and general (note 13)		<b>58,472</b>		53,906
Research and development		<b>52,851</b>		44,200
Investment tax credits		<b>(13,178)</b>		(9,872)
Foreign exchange gain		<b>(3,037)</b>		(2,342)
		<b>95,108</b>		85,892
		<b>86,758</b>		80,276
Finance income		<b>2,383</b>		1,915
Finance costs		<b>(559)</b>		(197)
Other income and expenses		<b>264</b>		(154)
Earnings before income taxes		<b>88,846</b>		81,840
Provision for income taxes				
Current (note 22)		<b>21,816</b>		21,669
Deferred (note 22)		<b>1,867</b>		215
		<b>23,683</b>		21,884
Net earnings for the year		<b>65,163</b>		59,956
Net earnings attributable to non-controlling interest		<b>573</b>		416
Net earnings attributable to shareholders		<b>64,590</b>		59,540
Net earnings for the year	<b>\$</b>	<b>65,163</b>	\$	59,956
Earnings per share (note 21)				
Basic	<b>\$</b>	<b>0.88</b>	\$	0.81
Diluted	<b>\$</b>	<b>0.88</b>	\$	0.81

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

Year ended April 30

(In thousands of Canadian dollars)	<b>2013</b>		2012	
Net earnings for the year	\$	<b>65,163</b>	\$	59,956
Foreign currency translation adjustment		<b>(149)</b>		(1,375)
Comprehensive earnings	\$	<b>65,014</b>	\$	58,581
Comprehensive earnings attributable to non-controlling interest		<b>581</b>		387
Comprehensive earnings attributable to shareholders	\$	<b>64,433</b>	\$	58,194
Comprehensive earnings	\$	<b>65,014</b>	\$	58,581

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended April 30

(In thousands of Canadian dollars)	<b>2013</b>	2012
<b>Operating activities</b>		
Net earnings for the year	\$ <b>65,163</b>	\$ 59,956
Add: Items not involving cash		
Depreciation of property, plant and equipment	<b>7,851</b>	7,698
Amortization of intangible assets	<b>428</b>	1,232
(Gain) loss on instruments held for trading	<b>(149)</b>	53
Loss on disposal of property, plant and equipment	<b>550</b>	34
Impairment loss on property, plant and equipment	<b>-</b>	420
Share-based compensation	<b>2,681</b>	3,164
Interest expense	<b>207</b>	197
Deferred income tax expense	<b>1,867</b>	215
	<b>78,598</b>	72,969
Current tax expenses, net of investment tax credits	<b>8,638</b>	11,797
Income taxes paid	<b>(4,100)</b>	(21,523)
Changes in non-cash working capital items (note 14)	<b>6,474</b>	3,400
Cash provided by operating activities	<b>89,610</b>	66,643
<b>Investing activities</b>		
Acquisition of instruments held for trading	<b>(12,000)</b>	-
Proceeds from disposal of instruments held for trading	<b>12,143</b>	4,133
Acquisition of property, plant and equipment	<b>(11,030)</b>	(16,622)
Proceeds from disposal of property, plant and equipment	<b>111</b>	410
Business acquisitions net of cash acquired (note 3)	<b>(3,774)</b>	-
Cash used in investing activities	<b>(14,550)</b>	(12,079)
<b>Financing activities</b>		
Repayment of long term debt	<b>(806)</b>	(482)
Interest paid	<b>(207)</b>	(197)
Dividends paid	<b>(42,501)</b>	(36,862)
Dividends paid by subsidiaries to non-controlling interests	<b>(400)</b>	(400)
Capital stock repurchase (note 11)	<b>(4,246)</b>	(25,876)
Capital stock issued	<b>8,014</b>	7,588
Cash used in financing activities	<b>(40,146)</b>	(56,229)
Effect of exchange rates on cash and cash equivalents	<b>79</b>	(505)
Increase (decrease) in cash and cash equivalents	<b>34,993</b>	(2,170)
Cash and cash equivalents beginning of year	<b>173,665</b>	175,835
Cash and cash equivalents end of year	\$ <b>208,658</b>	\$ 173,665

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Audited)

Years ended April 30, 2013 and 2012

(in thousands of Canadian dollars, except for “number of common shares” and “number of options”)

EVERTZ TECHNOLOGIES LIMITED (“EVERTZ” OR THE “COMPANY”) IS INCORPORATED UNDER THE CANADA BUSINESS CORPORATIONS ACT. THE COMPANY IS INCORPORATED AND DOMICILED IN CANADA AND THE REGISTERED HEAD OFFICE IS LOCATED AT 5292 JOHN LUCAS DRIVE, BURLINGTON, ONTARIO, CANADA. THE COMPANY IS A LEADING EQUIPMENT PROVIDER TO THE TELEVISION BROADCAST INDUSTRY. THE COMPANY DESIGNS, MANUFACTURES AND DISTRIBUTES VIDEO AND AUDIO INFRASTRUCTURE EQUIPMENT FOR THE PRODUCTION, POST-PRODUCTION, BROADCAST AND TELECOMMUNICATIONS MARKETS.

## 1. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors on June 12, 2013.

## 2. SIGNIFICANT ACCOUNTING POLICIES

Outlined below are those policies considered particularly significant:

### Basis of Measurement

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

### Functional and Presentation Currency

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

### 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 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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 or receivable 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.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and in the bank, net of outstanding bank overdrafts.

### **Inventories**

Inventories consist of raw materials and supplies, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives are as follows:

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

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

The Company reviews the residual value, estimated useful life and the depreciation method annually.

#### 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 more 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 group 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 of 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 assets 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *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 recorded gross of 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 subsidiary entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are presented in Canadian dollars ('CDN'), which is the functional currency of the parent 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 unused tax losses, credits and other 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 to 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 15.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period 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 share based payment 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 is comprised of share options granted to employees with an exercise price below the average market price.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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. Investment tax credits are recognized and recorded within income tax receivable when there is reasonable assurance they will be received.

### 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:

Asset/Liability	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Instruments held for trading	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	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 fair value through profit or loss, which are initially measured at fair value. Transaction costs in respect of financial instruments are 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.

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.

#### *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. Objective evidence of impairment of a financial asset can include a significant or prolonged decline in the fair value of an asset, default or delinquency by a debtor, indication that a debtor will enter bankruptcy or financial re-organization or the disappearance of an active market for a security.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, application of the percentage of completion method on long-term contracts, 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Non-current assets held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale and are not depreciated. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. The assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

### **New and Revised IFRSs Issued but Not Yet Effective**

Following is a listing of amendments, revisions and new International Financial Reporting Standards issued but not yet effective. Unless otherwise indicated, earlier application is permitted. The Company has not yet determined the impact of the changes to the adoption of the following standards.

### **Financial Instruments**

IFRS 7, *Financial instruments: Disclosures* ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognized financial instruments that are offset in accordance with paragraph 42 of IAS 32 *Financial Instruments: Presentation*. The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013.

IFRS 9, *Financial instruments* ("IFRS 9") was issued by the IASB on November 12, 2009 and October 2010, and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 introduces new requirements for the financial reporting of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IAS 32, *Financial instruments: Presentation* ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

### **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*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

### **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. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

### **Fair Value Measurements**

IFRS 13, *Fair Value Measurements* ("IFRS 13") provides new guidance on fair value measurement and disclosure requirements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

### **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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

### 3. BUSINESS ACQUISITIONS

On December 13, 2012 the Company completed the investment of 80% in the share capital of an international technology-based company for cash consideration of \$3,774, net of \$1,391 in cash acquired. The acquisition price includes \$250 in contingent consideration that the Company has valued at 100% of the potential liability. The acquisition was accounted for under the acquisition method and its operating results have been included in these financial statements since the date of acquisition. During fiscal 2013 the Company recognized \$140 of transaction costs in selling, administrative and general expenses relating to the acquisition.

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:

Trade and other receivables	\$	<b>1,054</b>
Inventories		<b>1,742</b>
Income tax receivable		<b>345</b>
Trade and other payables		<b>(546)</b>
Deferred revenue		<b>(123)</b>
Property, plant and equipment		<b>2,994</b>
Long term debt		<b>(440)</b>
Deferred tax liability		<b>(318)</b>
Goodwill (not tax deductible)		<b>286</b>
Non-controlling interest		<b>(1,220)</b>
	\$	<b>3,774</b>

The non-controlling interest has been valued at its proportionate share of net assets in the acquired company. Fair value of trade and other receivables was determined by netting \$1,091 in gross receivables with \$37 in receivables deemed uncollectable.

### 4. TRADE AND OTHER RECEIVABLES

	<b>2013</b>	2012
Trade receivables	\$ <b>51,035</b>	\$ 53,327
Receivables on construction contracts, net of progress billings	<b>2,670</b>	6,543
Other receivables	<b>3,382</b>	1,936
	\$ <b>57,087</b>	\$ 61,806

### 5. INVENTORIES

	<b>2013</b>	2012
Finished goods	\$ <b>47,052</b>	\$ 42,144
Raw material and supplies	<b>47,247</b>	46,851
Work in progress	<b>17,320</b>	20,216
	\$ <b>111,619</b>	\$ 109,211

Cost of sales for the year ended April 30, 2013 was comprised of \$102,271 of inventory (2012 - \$89,641) and \$3,987 of inventory write-offs (2012 - \$1,782).

## 6. PROPERTY, PLANT AND EQUIPMENT

	April 30, 2013			April 30, 2012		
	Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
Office furniture and equipment	\$ 1,726	\$ 957	\$ 769	\$ 1,680	\$ 1,068	\$ 612
Research and development equipment	18,483	8,608	9,875	10,952	6,365	4,587
Airplanes	12,639	1,956	10,683	12,639	809	11,830
Machinery and equipment	42,339	28,018	14,321	40,507	25,481	15,026
Leaseholds	4,290	2,705	1,585	3,598	2,225	1,373
Land	2,060	-	2,060	1,640	-	1,640
Buildings	8,816	1,472	7,344	7,418	1,296	6,122
	<b>\$ 90,353</b>	<b>\$ 43,716</b>	<b>\$ 46,637</b>	\$ 78,434	\$ 37,244	\$ 41,190

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

**6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Office furniture and equip- ment	Research and develop- ment equip- ment	Airplanes	Machin- ery and equip- ment	Lease- holds	Land	Building	Total
<b>Cost</b>								
<b>Balance as at April 30, 2011</b>	\$ 1,354	\$ 8,042	\$ 10,995	\$ 38,157	\$ 3,607	\$ 1,749	\$ 8,115	\$ 72,019
Additions	318	2,916	10,118	2,983	287	-	-	16,622
Foreign exchange adjustments	8	8	-	(88)	9	(109)	(697)	(869)
Transfer to held for sale	-	-	(8,474)	-	-	-	-	(8,474)
Disposals	-	(14)	-	(545)	(305)	-	-	(864)
<b>Balance as at April 30, 2012</b>	<b>\$ 1,680</b>	<b>\$ 10,952</b>	<b>\$ 12,639</b>	<b>\$ 40,507</b>	<b>\$ 3,598</b>	<b>\$ 1,640</b>	<b>\$ 7,418</b>	<b>\$ 78,434</b>
Additions	100	7,560	-	2,742	628	-	-	11,030
Acquisition of subsidiary	240	31	-	900	68	396	1,359	2,994
Foreign exchange adjustments	(79)	(60)	-	43	(4)	24	39	(37)
Disposals	(215)	-	-	(1,853)	-	-	-	(2,068)
<b>Balance as at April 30, 2013</b>	<b>\$ 1,726</b>	<b>\$ 18,483</b>	<b>\$ 12,639</b>	<b>\$ 42,339</b>	<b>\$ 4,290</b>	<b>\$ 2,060</b>	<b>\$ 8,816</b>	<b>\$ 90,353</b>
<b>Accumulated Depreciation</b>								
<b>Balance as at April 30, 2011</b>	\$ 974	\$ 5,184	\$ 3,975	\$ 21,400	\$ 1,657	\$ -	\$ 1,202	\$ 34,392
Depreciation for the year	100	1,188	1,003	4,382	842	-	183	7,698
Impairment loss	-	-	420	-	-	-	-	420
Foreign exchange adjustments	(6)	(7)	-	(65)	6	-	(89)	(161)
Transfer to held for sale	-	-	(4,589)	-	-	-	-	(4,589)
Disposals	-	-	-	(236)	(280)	-	-	(516)
<b>Balance as at April 30, 2012</b>	<b>\$ 1,068</b>	<b>\$ 6,365</b>	<b>\$ 809</b>	<b>\$ 25,481</b>	<b>\$ 2,225</b>	<b>\$ -</b>	<b>\$ 1,296</b>	<b>\$ 37,244</b>
Depreciation for the year	103	2,235	1,147	3,712	483	-	171	7,851
Foreign exchange adjustments	-	8	-	2	(3)	-	5	12
Disposals	(214)	-	-	(1,177)	-	-	-	(1,391)
<b>Balance as at April 30, 2013</b>	<b>\$ 957</b>	<b>\$ 8,608</b>	<b>\$ 1,956</b>	<b>\$ 28,018</b>	<b>\$ 2,705</b>	<b>\$ -</b>	<b>\$ 1,472</b>	<b>\$ 43,716</b>
<b>Carrying amounts</b>								
At April 30, 2012	\$ 612	\$ 4,587	\$ 11,830	\$ 15,026	\$ 1,373	\$ 1,640	\$ 6,122	\$ 41,190
<b>At April 30, 2013</b>	<b>\$ 769</b>	<b>\$ 9,875</b>	<b>\$ 10,683</b>	<b>\$ 14,321</b>	<b>\$ 1,585</b>	<b>\$ 2,060</b>	<b>\$ 7,344</b>	<b>\$ 46,637</b>

## 7. GOODWILL

The changes in carrying amounts of goodwill are as follows:

		Cost
<b>Balance as at April 30, 2011</b>	\$	17,467
Foreign exchange differences		40
<b>Balance as at April 30, 2012</b>	<b>\$</b>	<b>17,507</b>
Business acquisitions (note 3)		286
Foreign exchange differences		(69)
<b>Balance as at April 30, 2013</b>	<b>\$</b>	<b>17,724</b>

The Company performs an impairment test annually on April 30th or whenever there is an indication of impairment. The key assumptions used in performing the impairment test at April 30, 2013 are as follows:

Method of determining recoverable amount:	Value in use
Discount Rate:	8%
Perpetual growth rate:	0%

### Recoverable amount

Management past experience and future expectations of the business performance is used to make a best estimate of the expected revenue, earnings before interest, taxes, depreciation and amortization ("EBITDA") and operating cash flows for a five year period. Subsequent to the fifth year period the present value of the fifth year cash flows is calculated in perpetuity.

### Discount rate

The discount rate applied is a pretax rate that reflects the time value of money and risk associated with the business.

### Perpetual growth rate

The perpetual growth rate is management's current assessment of the long-term growth prospect of the Company in the jurisdictions in which it operates.

### Sensitivity analysis

Management performs sensitivity analysis on the key assumptions. Sensitivity analysis indicates reasonable changes to key assumptions will not result in an impairment loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

**8. INTANGIBLE ASSETS**

		Intellectual property
<b>Cost</b>		
<b>Balance as at April 30, 2011</b>	\$	7,848
Foreign exchange differences		18
<b>Balance as at April 30, 2012</b>	<b>\$</b>	<b>7,866</b>
Foreign exchange differences		(35)
<b>Balance as at April 30, 2013</b>	<b>\$</b>	<b>7,831</b>
<b>Accumulated Depreciation</b>		
<b>Balance as at April 30, 2011</b>	\$	(5,624)
Amortization for the year		(1,232)
Foreign exchange differences		(5)
<b>Balance as at April 30, 2012</b>	<b>\$</b>	<b>(6,861)</b>
Amortization for the year		(428)
Foreign exchange differences		16
<b>Balance as at April 30, 2013</b>	<b>\$</b>	<b>(7,273)</b>
<b>Carrying amounts</b>		
At April 30, 2012	\$	1,005
<b>At April 30, 2013</b>	<b>\$</b>	<b>558</b>

**9. PROVISIONS**

	Warranty and Returns	Lease/ Retirement Obligations	Total
<b>Balance as at April 30, 2011</b>	\$ 766	\$ 469	\$ 1,235
Additions	-	6	6
Provisions used	-	(417)	(417)
Foreign exchange differences	(4)	(11)	(15)
<b>Balance as at April 30, 2012</b>	<b>\$ 762</b>	<b>\$ 47</b>	<b>\$ 809</b>
Additions	250	59	309
Provisions used	(14)	-	(14)
Foreign exchange differences	2	(2)	-
<b>Balance as at April 30, 2013</b>	<b>\$ 1,000</b>	<b>\$ 104</b>	<b>\$ 1,104</b>

**Warranty and Returns**

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

**Lease/Retirement Obligations**

The provision relates to estimate restoration costs expected to be incurred upon the conclusion of company leases.



## 10. LONG TERM DEBT

### a) Credit Facilities

As at April 30, 2013, the Company had the following credit facilities available:

1. Credit facilities of \$15,000 and a treasury risk management facility up to \$10,000 available, bearing interest at prime, subject to certain covenants and secured by all Canadian based assets. Advances under these facilities bear interest at prime. There were no borrowings against either of these facilities as at April 30, 2013 or 2012.
2. Credit facility available of 484 Euros bearing interest at WIBOR plus 1.6% per annum. There were no borrowings outstanding under this facility as at April 30, 2013 or 2012.

### b) Long Term Debt

	<b>April 30, 2013</b>	April 30, 2012
1. Mortgage payable denominated in Euros, secured by buildings, bearing interest at LIBOR EUR three months fixed rate plus 1%, payable monthly, maturing in March 2021 with an option to end the contract prior to maturity upon payment of a penalty fee.	<b>\$ 1,456</b>	\$ 1,583
2. Loans payable denominated in Euros, secured by land and buildings, payable monthly, bearing interest at WIBOR plus 1% per annum, maturing on July 31, 2015.	<b>431</b>	611
3. Other	<b>42</b>	82
	<b>\$ 1,929</b>	\$ 2,276
Less current portion	<b>390</b>	401
	<b>\$ 1,539</b>	\$ 1,875

## 11. CAPITAL STOCK

Authorized capital stock consists of:

Unlimited number of preferred shares

Unlimited number of common shares

	Number of Common Shares	Amount
<b>Balance as at April 30, 2011</b>	74,470,606	\$ 58,882
Issued on exercise of stock options	801,980	7,588
Cancelled pursuant to NCIB	(2,046,800)	(1,618)
Transferred on stock option exercise	-	2,606
<b>Balance as at April 30, 2012</b>	<b>73,225,786</b>	<b>\$ 67,458</b>
Issued on exercise of stock options	724,400	8,013
Cancelled pursuant to NCIB	(317,620)	(292)
Transferred on stock option exercise	-	6,274
<b>Balance as at April 30, 2013</b>	<b>73,632,566</b>	<b>\$ 81,453</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

**11. CAPITAL STOCK (CONTINUED)****Normal Course Issuer Bid**

In July 2012, the Company filed a Normal Course Issuer Bid (NCIB) with the TSX to repurchase, at the Company's discretion, until July 16, 2013 up to 3,656,824 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. During fiscal 2013 in combination with a prior NCIB that expired in June 2012, the Company purchased and cancelled 317,620 common shares at a weighted average price of \$13.37 per share under the NCIB.

**Dividends Per Share**

During the year, \$0.58 in dividends per share were declared (2012 - \$0.50).

**12. REVENUE**

	<b>2013</b>	2012
Revenue from hardware, software including related services, training and commissioning	<b>\$ 299,950</b>	\$ 278,033
Long term contract revenue	<b>16,355</b>	15,367
	<b>\$ 316,305</b>	\$ 293,400

**13. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES**

	<b>2013</b>	2012
Selling and administrative	<b>\$ 53,106</b>	\$ 47,118
Share-based compensation (note 15)	<b>2,681</b>	3,164
Depreciation of property, plant and equipment (non-production)	<b>2,257</b>	2,392
Amortization of intangible assets	<b>428</b>	1,232
	<b>\$ 58,472</b>	\$ 53,906

**14. STATEMENT OF CASH FLOWS****Changes in non-cash working capital items**

	<b>2013</b>	2012
Trade and other receivables	<b>\$ 5,864</b>	\$ (9,544)
Inventories	<b>(714)</b>	(3,373)
Trade payable and accrued liabilities	<b>(1,100)</b>	15,947
Deferred revenue	<b>2,129</b>	796
Provisions	<b>295</b>	(426)
	<b>\$ 6,474</b>	\$ 3,400

## 15. SHARE BASED PAYMENTS

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

The Board of Directors administers the stock option plan and will determine the terms of any options granted.

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

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

	Number of Options	Weighted Average Exercise Price
<b>Balance as at April 30, 2011</b>	4,106,600	\$ 12.95
Granted	2,346,500	11.98
Exercised	(801,980)	9.46
Forfeited	(930,400)	18.32
Expired	(42,420)	11.52
<b>Balance as at April 30, 2012</b>	<b>4,678,300</b>	<b>\$ 12.60</b>
Granted	983,000	14.81
Exercised	(724,400)	11.06
Forfeited	(113,000)	11.96
Expired	(209,500)	18.04
<b>Balance as at April 30, 2013</b>	<b>4,614,400</b>	<b>\$ 13.09</b>

Stock options outstanding as at April 30, 2013 are:

Exercise Price	Weighted Average Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$ 9.93 - \$11.17	\$ 10.96	492,500	0.4	392,500	\$ 10.94
\$ 11.88	\$ 11.88	2,059,500	3.3	-	\$ -
\$ 12.23 - \$16.29	\$ 14.37	1,842,400	2.9	243,200	\$ 14.57
\$ 18.10 - \$19.34	\$ 18.38	220,000	0.9	136,000	\$ 18.10
Totals	\$ 13.09	4,614,400	2.9	771,700	\$ 13.25

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

### 15. SHARE BASED PAYMENTS (CONTINUED)

#### Compensation expense

The share-based compensation expense that has been charged against earnings over the fiscal period is \$2,681 (2012 - \$3,164). Compensation expense on grants during the period was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	April 30, 2013	April 30, 2012
Risk-free interest rate	1.27%	1.41%
Dividend yield	3.81%	4.02%
Expected life	5 years	5 years
Expected volatility	42%	40%
Weighted average grant-date fair value:		
Where the exercise price equaled the market price	\$ 3.99	\$ 3.00

Expected volatility is based on historical share price volatility over the past 5 years of the company. Share-based compensation expense was calculated using a weighted average forfeiture rate of 19% (2012 - 18%).

### 16. COMMITMENTS AND CONTINGENCIES

The Company is committed under long term debt agreements and certain operating leases with minimum annual lease payments as follows:

2013	\$	3,842
2014		3,431
2015		3,237
2016		3,078
2017		2,872
Thereafter		4,305
	\$	20,765

Total operating lease expense during the year was \$3,560 (2012 - \$3,231).

The Company has obtained documentary and standby letters of credit aggregating to a total of \$3,446 (2012 - \$1,755).

### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, instruments held for trading, trade and other receivables, trade and other payables 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 approximates the carrying values due to their short-term nature.

#### (a) 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 is level one fair value hierarchy and is 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. Contingent consideration is level three hierarchy. Liability has not changed since the acquisition.

## 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

III. The carrying amounts of cash and cash equivalents, trade and other accounts receivable, trade and other payables approximate their fair value due to the short-term nature of these financial instruments. The carrying amount of long term debt approximates its fair value as it incurs interest at a variable rate adjusted for changes in the market rate.

### (b) Financial risk management:

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at April 30, 2013:

#### Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, instruments held for trading and trade and other receivables the total of which is the maximum exposure to credit risk. The Company performs evaluations of the financial situations of its customers. Management does not believe that there is significant credit concentration or risk.

The Company sets up an allowance for doubtful accounts based on the credit risks of the individual customer and the customer history. Approximately 76% (2012 – 76%) of trade and other receivables are outstanding for less than 90 days as at April 30, 2013. The amounts owing over 90 days are individually evaluated and provided for where appropriate in the allowance for doubtful accounts. The trade and other receivables are presented as follows net of the allowance for doubtful accounts:

	<b>April 30, 2013</b>	April 30, 2012
Trade and other receivables	<b>\$ 60,521</b>	\$ 63,614
Allowance for doubtful accounts	<b>(3,434)</b>	(1,808)
	<b>\$ 57,087</b>	\$ 61,806

The change in the allowance for doubtful accounts was as follows:

	<b>April 30, 2013</b>	April 30, 2012
Balance at beginning of year	<b>\$ 1,808</b>	\$ 787
Increase in allowance	<b>2,317</b>	1,232
Bad debt recaptured and write-offs	<b>(717)</b>	(209)
Impact of variation in exchange rates	<b>26</b>	(2)
Balance at end of year	<b>\$ 3,434</b>	\$ 1,808

#### Exchange rate risk

The Company transacts a significant portion of its business in U.S. dollars and is therefore exposed to currency fluctuations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

U.S. dollar financial instruments are as follows:

	<b>April 30, 2013</b>	April 30, 2012
Cash and cash equivalents	<b>\$ 36,326</b>	\$ 39,919
Trade and other receivables	<b>34,083</b>	33,433
Trade and other payables	<b>(5,922)</b>	(3,742)
	<b>\$ 64,487</b>	\$ 69,610

Based on the financial instruments as at April 30, 2013, a 5% change in the value of the U.S. dollar would result in a gain or loss of \$3,224 in earnings before tax.

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's primary source of liquidity is its cash reserves. The Company also maintains certain credit facilities to support short term funding of operations and trade finance. The Company believes it has sufficient available funds to meet current and foreseeable financial requirements.

**18. SEGMENTED INFORMATION**

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

Revenue	<b>2013</b>	2012
United States	<b>\$ 146,918</b>	\$ 115,630
International	<b>143,061</b>	143,516
Canada	<b>26,326</b>	34,254
	<b>\$ 316,305</b>	\$ 293,400

	<b>April 30, 2013</b>			April 30, 2012		
	<b>Property, Plant and Equipment</b>	<b>Goodwill</b>	<b>Intangible Assets</b>	Property, Plant and Equipment	Goodwill	Intangible Assets
United States	<b>\$ 12,367</b>	<b>\$ 288</b>	<b>\$ -</b>	\$ 11,956	\$ -	\$ -
International	<b>10,481</b>	<b>17,436</b>	<b>558</b>	10,200	17,507	1,005
Canada	<b>23,789</b>	-	-	19,034	-	-
	<b>\$ 46,637</b>	<b>\$ 17,724</b>	<b>\$ 558</b>	\$ 41,190	\$ 17,507	\$ 1,005

## 19. RELATED PARTY TRANSACTIONS

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

### Related Party Transactions

Two shareholders each indirectly hold a 10% interest in the Company's leased premises in Ontario. This lease expires in 2019 with a total of \$4,978 committed over the remaining term. During the year, rent paid for the leased principal premises amounted to \$819 (2012 - \$801) with no outstanding amounts due as at April 30, 2013.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2016 with a total of \$862 committed over the remaining term. During the year, rent paid was \$246 (2012 - \$237) with no outstanding amounts due as at April 30, 2013.

On December 1, 2008 the Company entered into an agreement with two shareholders who each indirectly hold a 20% interest in the Company's leased premises in Ontario. This lease expires in 2018 with a total of \$4,469 committed over the remaining term. During the year, rent paid for the leased principal premises amounted to \$736 (2012 - \$721) with no outstanding amounts due as at April 30, 2013.

On December 15, 2008 the Company entered into a lease agreement with a director who indirectly owns 100% interest. The lease expires in 2013 with a total of \$90 committed over the remaining term. During the year, rent paid was \$136 (2012 - \$132) with no outstanding amounts due as at April 30, 2013.

On May 1, 2009 the Company entered into an agreement with two shareholders who each indirectly hold a 35% interest. This lease expires in 2019 with a total of \$2,771 committed over the remaining term. During the year, rent paid was \$419 (2012 - \$419) with no outstanding amounts due as at April 30, 2013.

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

The remuneration of directors and other members of key management personnel for the years ended April 30, 2013 and April 30, 2012 are as follows:

	<b>2013</b>	2012
Short-term benefits	<b>\$ 3,948</b>	\$ 3,885
Share-based payments	<b>1,301</b>	340
	<b>\$ 5,249</b>	\$ 4,225

## 20. CAPITAL DISCLOSURES

The Company's capital is composed of shareholders' equity. The Company's objective in managing capital is to ensure sufficient liquidity to finance increases in non-cash working capital, capital expenditures for capacity expansions, pursuit of selective acquisitions and the payment of quarterly dividends.

The Company takes a conservative approach towards financial leverage and management of financial risk and the Company currently satisfies their internal requirements.

The Company is not subject to any capital requirements imposed by a regulator.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except for "number of common shares" and "number of options")

### 21. EARNINGS PER SHARE

	<b>2013</b>	2012
Weighted average common shares outstanding	<b>\$ 73,300,647</b>	\$ 73,612,759
Dilutive-effect of stock options	<b>515,691</b>	200,008
Diluted weighted average common shares outstanding	<b>\$ 73,816,338</b>	\$ 73,812,767

The weighted average number of diluted common shares excludes 662,500 options because they were anti-dilutive during the period (2012 – 927,500).

### 22. INCOME TAXES

The Company's effective income tax rate differs from the statutory combined Canadian income tax rate as follows:

	<b>2013</b>	2012
Expected income tax expense using statutory rates (25%, 2012-26%)	<b>\$ 22,212</b>	\$ 21,118
Difference in foreign tax rates	<b>(219)</b>	(211)
Non-deductible stock based compensation	<b>670</b>	885
Other	<b>1,020</b>	92
	<b>\$ 23,683</b>	\$ 21,884

Components of deferred income taxes are summarized as follows:

	<b>April 30, 2013</b>	April 30, 2012
<b>Deferred income tax liabilities:</b>		
Tax loss carried forward	<b>\$ (1,427)</b>	\$ (1,173)
Research and development tax credits	<b>2,654</b>	2,052
Equipment tax vs accounting basis	<b>8,466</b>	6,061
Intangible assets	<b>156</b>	283
Harmonization transition credit	<b>-</b>	(472)
Other	<b>(259)</b>	580
	<b>\$ 9,590</b>	\$ 7,331

### 23. NON-CURRENT ASSETS HELD FOR SALE

The Company has assets that have been classified as held for sale. Efforts to sell the assets have already commenced and are expected to be sold before the end of the year.

### 24. SUBSEQUENT EVENT

On June 12, 2013 the Company declared a dividend of \$0.16 with a record date of June 21, 2013 and a payment date of June 28, 2013.



## 5-YEAR FINANCIAL HIGHLIGHTS

(all amounts in thousands, except EPS and share amounts)

### Consolidated Statement of Earnings Data

	Year Ended April 30,				
	2013	2012	2011	2010	2009
Sales	<b>\$ 316,305</b>	\$ 293,400	\$ 309,259	\$ 286,455	\$ 315,905
Selling and administrative expenses	<b>53,106</b>	47,118	37,583	36,118	35,907
Research and development expenses	<b>52,851</b>	44,200	35,719	32,026	28,719
Earnings before income taxes	<b>88,846</b>	81,840	108,346	90,275	139,624
Net earnings	<b>65,163</b>	59,956	78,259	61,481	100,717
Fully diluted EPS	<b>0.88</b>	0.81	1.04	0.83	1.36

### Consolidated Balance Sheet Data

	Year Ended April 30,				
	2013	2012	2011	2010	2009
Cash and instruments held for trading	<b>\$ 220,668</b>	\$ 185,669	\$ 192,025	\$ 145,029	\$ 114,020
Total assets	<b>465,307</b>	431,864	410,511	345,787	316,446
Shareholder's equity	<b>406,797</b>	378,417	372,209	312,169	268,376
Number of common shares outstanding					
Basic	<b>73,632,566</b>	73,225,786	74,470,606	73,607,506	73,105,406
Fully-diluted	<b>78,246,966</b>	77,904,086	78,577,206	77,703,006	77,208,006

# CORPORATE AND SHAREHOLDER INFORMATION

## DIRECTORS AND EXECUTIVE OFFICERS

### Romolo Magarelli

Director, President and Chief Executive Officer

### Douglas DeBruin

Executive Chairman



### Christopher Colclough <sup>1,2</sup>

Director



### Dr. Thomas Pistor <sup>1</sup>

Director



### Dr. Ian McWalter <sup>1,2</sup>

Director



### Brian Campbell

Executive Vice-President,  
Business Development



### Rakesh Patel

Chief Technology Officer



### Anthony Gridley

Chief Financial Officer



### Eric Fankhauser

Vice-President, Advanced  
Product Development



### Joe Cirincione

Vice-President of Sales -  
Central and Western, USA



### Vince Silvestri

Vice-President of Software  
Systems



### Kevin Hellam

Vice-President of Global Delivery  
& Support

<sup>1</sup> Member of the Audit Committee.

<sup>2</sup> Member of the Compensation Committee.

## AUDITORS

### Deloitte LLP

Chartered Accountants

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## LEGAL COUNSEL

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## EXCHANGE LISTING

The common shares of the Company are listed on the Toronto Stock Exchange under the symbol ET

## INVESTOR RELATIONS

### Anthony Gridley

Chief Financial Officer

T: (905) 335-7580

email: ir@evertz.com

## ANNUAL SHAREHOLDERS MEETING

12:30 p.m., Thursday, September 12, 2013

The Fairmont Royal York

100 Front Street West

Toronto, ON M5J 1E3

## REGISTRAR AND TRANSFER AGENT

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**San Jose, CA**

**New York City, NY**

**Manassas, VA**

**Berkshire, UK**

**Beijing**

**Hong Kong**

**Shanghai**

**Singapore**

**Australia**

**Croatia**

**Germany**

**Dubai, U.A.E**

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