

Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three months ended July 31, 2012 and 2011
(Unaudited)

MANAGEMENT REPORT

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

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

EVERTZ TECHNOLOGIES LIMITED

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(Unaudited)

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Three months ended July 31, 2012 and 2011

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EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(unaudited)

As at July 31, 2012 and April 30, 2012

(In thousands of Canadian dollars)

	July 31, 2012	April 30, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 169,317	\$ 173,665
Instruments held for trading	12,040	12,004
Trade and other receivables	74,651	61,806
Inventories	105,883	109,211
Income tax receivable	5,743	11,695
	\$ 367,634	\$ 368,381
Assets held for sale (note 12)	\$ 3,781	\$ 3,781
Property, plant and equipment (note 3)	\$ 41,995	\$ 41,190
Goodwill	17,446	17,507
Intangible assets	825	1,005
	\$ 431,681	\$ 431,864
Liabilities		
Trade and other payables	\$ 21,978	\$ 37,034
Provisions (note 5)	1,062	809
Deferred revenue	5,587	4,460
Current portion of long term debt	379	401
	\$ 29,006	\$ 42,704
Long term debt	\$ 1,681	\$ 1,875
Deferred taxes	7,230	7,331
	\$ 37,917	\$ 51,910
Equity		
Capital stock (note 4)	\$ 70,681	\$ 67,458
Share based payment reserve	13,671	14,320
Accumulated other comprehensive loss	(1,265)	(906)
Retained earnings	308,990	297,545
	\$ 307,725	\$ 296,639
Total equity attributable to shareholders	392,077	378,417
Non-controlling interest	1,687	1,537
	393,764	379,954
	\$ 431,681	\$ 431,864

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Three month periods ended July 31, 2012 and 2011
(In thousands of Canadian dollars)

	Capital stock	Share-based payment reserve	Accumulated other comprehensive (loss) income	Retained earnings	Total equity attributable to shareholders	Non- controlling interest	Total Equity
Balance at April 30, 2011	\$ 58,882	\$ 13,762	\$ 440	\$ 299,125	\$ 372,209	\$ 1,550	\$ 373,759
Net earnings for the period	-	-	-	17,527	17,527	97	17,624
Foreign currency translation adjustment	-	-	(298)	-	(298)	(83)	(381)
Total comprehensive income for the period	\$ -	\$ -	\$ (298)	\$ 17,527	\$ 17,229	\$ 14	\$ 17,243
Dividends declared	-	-	-	(9,004)	(9,004)	(400)	(9,404)
Compensation expense related to stock options	-	633	-	-	633	-	633
Exercise of employee stock options	5,252	-	-	-	5,252	-	5,252
Transfer of stock option exercise	1,434	(1,434)	-	-	-	-	-
Repurchase of common shares	(1,223)	-	-	(18,458)	(19,681)	-	(19,681)
Balance at July 31, 2011	\$ 64,345	\$ 12,961	\$ 142	\$ 289,190	\$ 366,638	\$ 1,164	\$ 367,802
Net earnings for the period	-	-	-	42,013	42,013	319	42,332
Foreign currency translation adjustment	-	-	(1,048)	-	(1,048)	54	(994)
Total comprehensive income for the period	\$ -	\$ -	\$ (1,048)	\$ 42,013	\$ 40,965	\$ 373	\$ 41,338
Dividends declared	-	-	-	(27,858)	(27,858)	-	(27,858)
Compensation expense related to stock options	-	2,531	-	-	2,531	-	2,531
Exercise of employee stock options	2,336	-	-	-	2,336	-	2,336
Transfer of stock option exercise	1,172	(1,172)	-	-	-	-	-
Repurchase of common shares	(395)	-	-	(5,800)	(6,195)	-	(6,195)
Balance at April 30, 2012	\$ 67,458	\$ 14,320	\$ (906)	\$ 297,545	\$ 378,417	\$ 1,537	\$ 379,954
Net earnings for the period	-	-	-	24,589	24,589	170	24,759
Foreign currency translation adjustment	-	-	(359)	-	(359)	(20)	(379)
Total comprehensive income for the period	\$ -	\$ -	\$ (359)	\$ 24,589	\$ 24,230	\$ 150	\$ 24,380
Dividends declared	-	-	-	(10,242)	(10,242)	-	(10,242)
Compensation expense related to stock options	-	742	-	-	742	-	742
Exercise of employee stock options	2,048	-	-	-	2,048	-	2,048
Transfer of stock option exercise	1,391	(1,391)	-	-	-	-	-
Repurchase of common shares	(216)	-	-	(2,902)	(3,118)	-	(3,118)
Balance at July 31, 2012	\$ 70,681	\$ 13,671	\$ (1,265)	\$ 308,990	\$ 392,077	\$ 1,687	\$ 393,764

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings
(Unaudited)

Three month periods ended July 31, 2012 and 2011
(In thousands of Canadian dollars, except per share amounts)

	Three months ended		Three months ended	
	July 31, 2012		July 31, 2011	
Revenue	\$	95,961	\$	75,128
Cost of goods sold		40,306		32,281
Gross margin		55,655		42,847
Expenses				
Selling, administrative and general (note 6)		13,817		11,691
Research and development		11,792		10,319
Investment tax credits		(3,186)		(2,282)
Foreign exchange gain		(2)		(343)
		22,421		19,385
		33,234		23,462
Finance income		449		423
Finance costs		(88)		(51)
Other income and expenses		115		17
Earnings before income taxes		33,710		23,851
Provision for income taxes				
Current		8,988		7,355
Deferred		(37)		(1,128)
		8,951		6,227
Net earnings for the period		24,759		17,624
Net earnings attributable to non-controlling interest		170		97
Net earnings attributable to shareholders		24,589		17,527
Net earnings for the period	\$	24,759	\$	17,624
Earnings per share (note 11)				
Basic	\$	0.34	\$	0.23
Diluted	\$	0.34	\$	0.23

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

Three months ended July 31, 2012 and 2011

(In thousands of Canadian dollars)

	Three months ended July 31, 2012	Three months ended July 31, 2011
Net earnings for the period	\$ 24,759	\$ 17,624
Foreign currency translation adjustment	(379)	(381)
Comprehensive income	\$ 24,380	\$ 17,243
Comprehensive income attributable to non-controlling interest	150	14
Comprehensive income attributable to shareholders	\$ 24,230	\$ 17,229
Comprehensive income	\$ 24,380	\$ 17,243

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three months ended July 31, 2012 and 2011

(In thousands of Canadian dollars)

	Three months ended July 31, 2012	Three months ended July 31, 2011
Operating activities		
Net earnings	\$ 24,759	\$ 17,624
Add: Items not involving cash		
Depreciation of property, plant and equipment	1,794	1,717
Amortization of intangible assets	163	307
(Gain) loss on instruments held for trading	(36)	17
Gain on disposal of property, plant and equipment	(7)	(17)
Share-based compensation	742	633
Deferred income tax expense	(37)	(1,128)
	27,378	19,153
Changes in non-cash working capital items (note 7)	(17,846)	(6,603)
Cash provided by operating activities	9,532	12,550
Investing activities		
Proceeds from disposal of instruments held for trading	-	4,133
Acquisition of property, plant and equipment	(3,121)	(659)
Proceeds from disposal of property, plant and equipment	30	17
Cash (used in) provided by investing activities	(3,091)	3,491
Financing activities		
Repayment of long term debt	(90)	(93)
Dividends paid	(10,242)	(9,004)
Dividends paid by subsidiaries to non-controlling interests	-	(400)
Capital stock repurchase (note 4)	(3,118)	(19,681)
Capital stock issued	2,048	5,252
Cash used in financing activities	(11,402)	(23,926)
Effect of foreign exchange rates on cash	613	(5)
Decrease in cash and cash equivalents	(4,348)	(7,890)
Cash and cash equivalents beginning of period	173,665	175,835
Cash and cash equivalents end of period	\$ 169,317	\$ 167,945
	July 31, 2012	July 31, 2011
Interest paid	\$ 55	\$ 51
Income taxes paid (received)	\$ (242)	5,619

EVERTZ TECHNOLOGIES LIMITED

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Three months ended July 31, 2012 and 2011
(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 interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and under the IAS 34 “Interim Financial Reporting” using the same accounting policies as described in the Company’s consolidated financial statements for the year ended April 30, 2012.

These interim condensed consolidated financial statements do not include all information and note disclosures required by the IASB for annual financial statements, and therefore; should be read in conjunction with the April 30, 2012 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on September 13, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

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.

Financial Instruments

IFRS 9 Financial instruments (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 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. The Company has not yet determined the impact of IFRS 9 on its financial statements.

Note #2 continued ...

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. The Company has not yet determined the impact of IFRS 10 on its financial statements.

Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”) is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 12 on its financial statements.

Fair Value Measurements

IFRS 13, *Fair Value Measurements* (“IFRS 13”) provides new guidance on fair value measurement and disclosure requirements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

Presentation of Financial Statements

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

3. PROPERTY, PLANT AND EQUIPMENT

	July 31, 2012			April 30, 2012		
	Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
Office furniture and equipment	\$ 1,468	\$ 855	\$ 613	\$ 1,680	\$ 1,068	\$ 612
Research and development equipment	13,288	6,791	6,497	10,952	6,365	4,587
Airplanes	12,639	1,160	11,479	12,639	809	11,830
Machinery and equipment	40,075	25,133	14,942	40,507	25,481	15,026
Leaseholds	3,596	2,279	1,317	3,598	2,225	1,373
Land	1,340	-	1,340	1,448	-	1,448
Buildings	7,134	1,327	5,807	7,610	1,296	6,314
	\$ 79,540	\$ 37,545	\$ 41,995	\$ 78,434	\$ 37,244	\$ 41,190

4. CAPITAL STOCK

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

	Number of Common Shares	Amount
Balance as at April 30, 2012	73,225,786	\$ 67,458
Issued on exercise of stock options	186,200	2,048
Cancelled pursuant to NCIB	(233,520)	(216)
Transferred from share based payment reserve	-	1,391
Balance as at July 31, 2012	73,178,466	\$ 70,681

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 the first three months of fiscal 2013 in combination with a prior NCIB that expired in June 2012, the Company purchased and cancelled 233,520 common shares at a weighted average price of \$13.35 per share under the NCIB.

Dividends Per Share

During the quarter \$0.14 in dividends per share were declared.

5. PROVISIONS

	Warranty & Returns	Lease/Retirement Obligations	Total
Balance as at April 30, 2012	\$ 762	\$ 47	\$ 809
Additions	253	-	253
Foreign exchange differences	1	(1)	-
Balance as at July 31, 2012	\$ 1,016	\$ 46	\$ 1,062

6. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended July 31, 2012	Three month period ended July 31, 2011
Selling and administrative	\$ 12,367	\$ 10,382
Share-based compensation (note 8)	742	633
Depreciation of property, plant and equipment (non-production)	545	369
Amortization of intangibles	163	307
	\$ 13,817	\$ 11,691

7. STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

	July 31, 2012	July 31, 2011
Trade and other receivables	\$ (13,734)	\$ (12,489)
Inventories	2,701	889
Income taxes receivable	5,946	(578)
Trade and other payables	(14,139)	3,579
Deferred revenue	1,127	1,998
Provisions	253	(2)
	\$ (17,846)	\$ (6,603)

8. 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.

Note #8 continued ...

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

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2012	4,678,300	\$ 12.60
Granted	472,500	13.84
Exercised	(186,200)	11.00
Cancelled	(15,000)	12.30
Expired	(187,000)	17.81
Balance as at July 31, 2012	4,762,600	\$ 12.59

Stock options outstanding as at July 31, 2012 are:

Exercise Price	Weighted Average Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$9.93 - \$11.00	\$ 10.93	938,600	0.8	695,500	\$ 10.95
\$11.17 - \$16.12	\$ 12.62	3,594,000	3.8	57,000	\$ 11.17
\$17.88 - \$19.34	\$ 18.38	220,000	1.6	136,000	\$ 18.10
\$29.58	\$ 29.58	10,000	0.5	8,000	\$ 29.58
Totals	\$ 12.59	4,762,600	3.1	896,500	\$ 11.50

Compensation expense

The share-based compensation expense that has been charged against earnings over the three month period is \$742 (2011 - \$633). Compensation expense on grants during the period was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	July 31, 2012	July 31, 2011
Risk-free interest rate	1.25%	2.19%
Dividend yield	4.05%	2.98%
Expected life	5 years	5 years
Expected volatility	44%	40%
Weighted average grant-date fair value: Where the exercise price equaled the market price	\$3.81	\$4.63

Expected volatility is based on a combination of 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 20% (2011 - 18%).

9. SEGMENTED INFORMATION

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

	Three month period ended July 31, 2012	Three month period ended July 31, 2011
Revenue		
United States	\$ 51,915	\$ 36,193
International	36,571	29,797
Canada	7,475	9,138
	\$ 95,961	\$ 75,128

	July 31, 2012			April 30, 2012		
	Capital Assets	Goodwill	Intellectual Property	Capital Assets	Goodwill	Intellectual Property
United States	\$ 10,717	\$ -	\$ -	\$ 11,956	\$ -	\$ -
International	9,642	17,446	825	10,200	17,507	1,005
Canada	21,636	-	-	19,034	-	-
	\$ 41,995	\$ 17,446	\$ 825	\$ 41,190	\$ 17,507	\$ 1,005

10. 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 \$5,593 committed over the remaining term. During the period, rent paid for the leased principal premises amounted to \$205 (2011 – \$199) with no outstanding amounts due as at July 31, 2012.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2016 with a total of \$1,046 committed over the remaining term. During the period, rent paid was \$62 (2011 – 60) with no outstanding amounts due as at July 31, 2012.

On December 1, 2008 the Company entered into an agreement with two shareholders who each indirectly hold a 20% interest in the Company's leased premises in Ontario. This lease expires in 2018 with a total of \$5,024 committed over the remaining term. During the period, rent paid for the leased principal premises amounted to \$180 (2011 - \$180) with no outstanding amounts due as at July 31, 2012.

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 \$192 committed over the remaining term. During the period, rent paid was \$34 (2011 - \$32) with no outstanding amounts due as at July 31, 2012.

On May 1, 2009 the Company entered into an agreement with two shareholders who each indirectly hold a 35% interest. This lease expires in 2019 with a total of \$3,085 committed over the remaining term. During the period, rent paid was \$105 (2011 - \$105) with no outstanding amounts due as at July 31, 2012.

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

11. EARNINGS PER SHARE

	Three month period ended July 31, 2012	Three month period ended July 31, 2011
Weighted average common shares outstanding	73,178,027	74,760,948
Dilutive effect of stock options	206,884	148,859
Diluted weighted average common shares outstanding	73,384,911	74,909,807

The weighted average number of diluted common shares excludes 1,215,000 options because they were anti-dilutive during the period (2011 – 1,550,000).

12. 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.

13. SUBSEQUENT EVENT

On September 13, 2012 the Company declared a dividend of \$0.14 with a record date of September 21, 2012 and a payment date of September 28, 2012.