

Interim condensed consolidated financial statements of

**EVERTZ TECHNOLOGIES LIMITED**

Three months ended July 31, 2013 and 2012  
(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)

Interim condensed consolidated financial statements  
Three months ended July 31, 2013 and 2012

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# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position  
(Unaudited)

As at July 31, 2013 and April 30, 2013  
(In thousands of Canadian dollars)

|   | July 31,<br>2013 | April 30,<br>2013 |
|---|------------------|-------------------|
| <b>Assets</b>                             |                  |                   |
| Current assets                            |                  |                   |
| Cash and cash equivalents                 | \$ 198,946       | \$ 208,658        |
| Instruments held for trading              | 12,050           | 12,010            |
| Prepaid expenses                          | 3,371            | 3,274             |
| Trade and other receivables               | 53,591           | 53,813            |
| Inventories                               | 112,637          | 111,619           |
| Income tax receivable                     | 4,553            | 7,233             |
|   | \$ 385,148       | \$ 396,607        |
| Assets held for sale (note 13)            | \$ 3,781         | \$ 3,781          |
| Property, plant and equipment (note 4)    | \$ 48,051        | \$ 46,637         |
| Goodwill                                  | 17,724           | 17,724            |
| Intangible assets                         | 469              | 558               |
|   | \$ 455,173       | \$ 465,307        |
| <b>Liabilities</b>                        |                  |                   |
| Current liabilities                       |                  |                   |
| Trade and other payables                  | \$ 24,953        | \$ 36,237         |
| Provisions (note 5)                       | 1,124            | 1,104             |
| Deferred revenue                          | 5,789            | 6,712             |
| Current portion of long term debt         | 381              | 390               |
|   | \$ 32,247        | \$ 44,443         |
| Long term debt                            | \$ 1,491         | \$ 1,539          |
| Deferred taxes                            | 7,536            | 9,590             |
|   | \$ 41,274        | \$ 55,572         |
| <b>Equity</b>                             |                  |                   |
| Capital stock (note 6)                    | \$ 87,734        | \$ 81,453         |
| Share based payment reserve               | 9,322            | 10,727            |
| Accumulated other comprehensive loss      | (1,174)          | (1,063)           |
| Retained earnings                         | 315,547          | 315,680           |
|   | \$ 314,373       | \$ 314,617        |
| Total equity attributable to shareholders | 411,429          | 406,797           |
| Non-controlling interest                  | 2,470            | 2,938             |
|   | 413,899          | 409,735           |
|   | \$ 455,173       | \$ 465,307        |

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, 2013 and 2012  
(In thousands of Canadian dollars)

|  | Capital<br>stock | Share-based<br>payment<br>reserve | Accumulated<br>other<br>comprehensive<br>loss | Retained<br>earnings | Total<br>equity<br>attributable to<br>shareholders | Non-<br>controlling<br>interest | Total<br>Equity   |
|--|------------------|-----------------------------------|---|----------------------|--|---------------------------------|-------------------|
| <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 period                      | -                | -                                 | -   | 24,589               | 24,589   | 170                             | 24,759            |
| Foreign currency translation<br>adjustment       | -                | -                                 | (359)   | -                    | (359)  | (20)                            | (379)             |
| <b>Total comprehensive income for the period</b> | <b>\$ -</b>      | <b>\$ -</b>                       | <b>\$ (359)</b>                               | <b>\$ 24,589</b>     | <b>\$ 24,230</b>                                   | <b>\$ 150</b>                   | <b>\$ 24,380</b>  |
| Dividends declared                               | -                | -                                 | -   | (10,242)             | (10,242)   | -                               | (10,242)          |
| Share based compensation expense                 | -                | 742                               | -   | -                    | 742  | -                               | 742               |
| Exercise of employee stock options               | 2,048            | -                                 | -   | -                    | 2,048  | -                               | 2,048             |
| Transfer on stock option exercise                | 1,391            | (1,391)                           | -   | -                    | -  | -                               | -                 |
| Repurchase of common shares                      | (216)            | -                                 | -   | (2,902)              | (3,118)  | -                               | (3,118)           |
| <b>Balance at July 31, 2012</b>                  | <b>\$ 70,681</b> | <b>\$ 13,671</b>                  | <b>\$ (1,265)</b>                             | <b>\$ 308,990</b>    | <b>\$ 392,077</b>                                  | <b>\$ 1,687</b>                 | <b>\$ 393,764</b> |
| <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> |
| Net earnings for the period                      | -                | -                                 | -   | 11,733               | 11,733   | 83                              | 11,816            |
| Foreign currency translation<br>adjustment       | -                | -                                 | (111)   | -                    | (111)  | 49                              | (62)              |
| <b>Total comprehensive income for the period</b> | <b>\$ -</b>      | <b>\$ -</b>                       | <b>\$ (111)</b>                               | <b>\$ 11,733</b>     | <b>\$ 11,622</b>                                   | <b>\$ 132</b>                   | <b>\$ 11,754</b>  |
| Dividends declared                               | -                | -                                 | -   | (11,826)             | (11,826)   | (600)                           | (12,426)          |
| Share based compensation expense                 | -                | 716                               | -   | -                    | 716  | -                               | 716               |
| Exercise of employee stock options               | 4,164            | -                                 | -   | -                    | 4,164  | -                               | 4,164             |
| Transfer on stock option exercise                | 2,121            | (2,121)                           | -   | -                    | -  | -                               | -                 |
| Repurchase of common shares                      | (4)              | -                                 | -   | (40)                 | (44)   | -                               | (44)              |
| <b>Balance at July 31, 2013</b>                  | <b>\$ 87,734</b> | <b>\$ 9,322</b>                   | <b>\$ (1,174)</b>                             | <b>\$ 315,547</b>    | <b>\$ 411,429</b>                                  | <b>\$ 2,470</b>                 | <b>\$ 413,899</b> |

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, 2013 and 2012  
(In thousands of Canadian dollars, except per share amounts)

|   | Three months ended |         | Three months ended |         |
|---|--------------------|---------|--------------------|---------|
|   | July 31, 2013      |         | July 31, 2012      |         |
| Revenue   | \$                 | 63,858  | \$                 | 95,961  |
| Cost of goods sold                                    |                    | 27,144  |                    | 40,306  |
| Gross margin  |                    | 36,714  |                    | 55,655  |
| Expenses  |                    |         |                    |         |
| Selling, administrative and general (note 7)          |                    | 13,074  |                    | 13,817  |
| Research and development                              |                    | 13,459  |                    | 11,792  |
| Investment tax credits                                |                    | (2,857) |                    | (3,186) |
| Foreign exchange gain                                 |                    | (2,509) |                    | (2)     |
|   |                    | 21,167  |                    | 22,421  |
|   |                    | 15,547  |                    | 33,234  |
| Finance income  |                    | 621     |                    | 449     |
| Finance costs   |                    | (102)   |                    | (88)    |
| Other income and expenses                             |                    | 7       |                    | 115     |
| Earnings before income taxes                          |                    | 16,073  |                    | 33,710  |
| Provision for (recovery of) income taxes              |                    |         |                    |         |
| Current   |                    | 6,370   |                    | 8,988   |
| Deferred  |                    | (2,113) |                    | (37)    |
|   |                    | 4,257   |                    | 8,951   |
| Net earnings for the period                           |                    | 11,816  |                    | 24,759  |
| Net earnings attributable to non-controlling interest |                    | 83      |                    | 170     |
| Net earnings attributable to shareholders             |                    | 11,733  |                    | 24,589  |
| Net earnings for the period                           | \$                 | 11,816  | \$                 | 24,759  |
| Earnings per share (note 12)                          |                    |         |                    |         |
| Basic   | \$                 | 0.16    | \$                 | 0.34    |
| Diluted   | \$                 | 0.16    | \$                 | 0.34    |

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, 2013 and 2012  
(In thousands of Canadian dollars)

|   | <b>Three months ended<br/>July 31, 2013</b> | <b>Three months ended<br/>July 31, 2012</b> |
|---|---|---|
| Net earnings for the period                                   | \$ 11,816                                   | \$ 24,759                                   |
| Foreign currency translation adjustment                       | (62)  | (379)                                       |
| <b>Comprehensive income</b>                                   | <b>\$ 11,754</b>                            | <b>\$ 24,380</b>                            |
| Comprehensive income attributable to non-controlling interest | 132   | 150   |
| Comprehensive income attributable to shareholders             | \$ 11,622                                   | \$ 24,230                                   |
| <b>Comprehensive income</b>                                   | <b>\$ 11,754</b>                            | <b>\$ 24,380</b>                            |

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, 2013 and 2012  
(In thousands of Canadian dollars)

|   | Three months ended<br>July 31, 2013 | Three months ended<br>July 31, 2012 |
|---|-------------------------------------|-------------------------------------|
| <b>Operating activities</b>                                 |                                     |                                     |
| Net earnings for the period                                 | \$ 11,816                           | \$ 24,759                           |
| Add: Items not involving cash                               |                                     |                                     |
| Depreciation of property, plant and equipment               | 2,330                               | 1,794                               |
| Amortization of intangible assets                           | 89                                  | 163                                 |
| Gain on instruments held for trading                        | (40)                                | (36)                                |
| Loss on disposal of property, plant and equipment           | -                                   | (7)                                 |
| Share-based compensation                                    | 716                                 | 742                                 |
| Interest expense  | 45                                  | 55                                  |
| Deferred income tax expense                                 | (2,113)                             | (37)                                |
|   | 12,843                              | 27,433                              |
| Current tax expenses, net of investment tax credits         | 3,513                               | 5,802                               |
| Income taxes paid   | (435)                               | (242)                               |
| Changes in non-cash working capital items (note 8)          | (13,216)                            | (23,406)                            |
| Cash provided by operating activities                       | 2,705                               | 9,587                               |
| <b>Investing activities</b>                                 |                                     |                                     |
| Acquisition of property, plant and equipment                | (3,519)                             | (3,121)                             |
| Proceeds from disposal of property, plant and equipment     | -                                   | 30                                  |
| Cash used in investing activities                           | (3,519)                             | (3,091)                             |
| <b>Financing activities</b>                                 |                                     |                                     |
| Repayment of long term debt                                 | (115)                               | (90)                                |
| Interest paid   | (45)                                | (55)                                |
| Dividends paid  | (11,826)                            | (10,242)                            |
| Dividends paid by subsidiaries to non-controlling interests | (600)                               | -                                   |
| Capital stock repurchase (note 6)                           | (44)                                | (3,118)                             |
| Capital stock issued  | 4,164                               | 2,048                               |
| Cash used in financing activities                           | (8,466)                             | (11,457)                            |
| Effect of exchange rates on cash and cash equivalents       | (432)                               | 613                                 |
| Decrease in cash and cash equivalents                       | (9,712)                             | (4,348)                             |
| Cash and cash equivalents beginning of period               | 208,658                             | 173,665                             |
| Cash and cash equivalents end of period                     | \$ 198,946                          | \$ 169,317                          |



## EVERTZ TECHNOLOGIES LIMITED

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Three months ended July 31, 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 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, 2013.

These interim condensed consolidated financial statements do not include all information and note disclosures required by IFRS for annual financial statements, and therefore; should be read in conjunction with the April 30, 2013 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on September 11, 2013.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### Changes in Accounting Policies

##### *Consolidated Financial Statements*

Effective May 1, 2013, the Company adopted IFRS 10, *Consolidated Financial Statements* (“IFRS 10”). IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaced the consolidation requirements in SIC-12, *Consolidation – Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. The adoption of IFRS 10 did not have any impact on the Interim Condensed Consolidated Financial Statements.

##### *Disclosure of Interests in Other Entities*

Effective May 1, 2013, the Company adopted IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”). IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of IFRS 12 did not have any impact on the Interim Condensed Consolidated Financial Statements and we are currently evaluating the impact on the annual consolidated financial statements.

*Note #2 continued ...*

### ***Fair Value Measurements***

Effective May 1, 2013, the Company adopted IFRS 13, *Fair Value Measurements* (“IFRS 13”). IFRS 13 provides new guidance on fair value measurement and disclosure requirements. The adoption of IFRS 13 did not have any impact on the Interim Condensed Consolidated Financial Statements.

### ***Presentation of Financial Statements***

Effective May 1, 2013, the Company adopted Amendments to IAS 1, *Presentation of Financial Statements* (“Amendments to IAS 1”), which became effective for annual periods beginning on or after July 1, 2012, are 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 adoption of Amendments to IAS 1 did not have any impact on the Interim Condensed Consolidated Financial Statements.

### ***Financial Instruments***

Effective May 1, 2013, the Company adopted Amendments to IFRS 7, *Financial Instruments Disclosures* (“Amendments to IFRS 7”), which 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 adoption of Amendments to IFRS 7 did not have any impact on the Interim Condensed Consolidated Financial Statements.

### **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.

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.

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

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. PROPERTY, PLANT AND EQUIPMENT

|                                    | July 31, 2013    |                          |                  | April 30, 2013   |                          |                  |
|------------------------------------|------------------|--------------------------|------------------|------------------|--------------------------|------------------|
|                                    | Cost             | Accumulated Amortization | Carrying Amount  | Cost             | Accumulated Amortization | Carrying Amount  |
| Office furniture and equipment     | \$ 2,117         | \$ 980                   | \$ 1,137         | \$ 1,726         | \$ 957                   | \$ 769           |
| Research and development equipment | 20,702           | 9,393                    | 11,309           | 18,483           | 8,608                    | 9,875            |
| Airplanes                          | 12,639           | 2,256                    | 10,383           | 12,639           | 1,956                    | 10,683           |
| Machinery and equipment            | 43,592           | 29,497                   | 14,095           | 42,339           | 28,018                   | 14,321           |
| Leaseholds                         | 4,480            | 2,858                    | 1,622            | 4,290            | 2,705                    | 1,585            |
| Land                               | 2,084            | -                        | 2,084            | 2,060            | -                        | 2,060            |
| Buildings                          | 8,979            | 1,558                    | 7,421            | 8,816            | 1,472                    | 7,344            |
|                                    | <u>\$ 94,593</u> | <u>\$ 46,542</u>         | <u>\$ 48,051</u> | <u>\$ 90,353</u> | <u>\$ 43,716</u>         | <u>\$ 46,637</u> |

### 5. PROVISIONS

|                                     | Warranty and Returns | Lease/Retirement Obligations | Total           |
|-------------------------------------|----------------------|------------------------------|-----------------|
| <b>Balance as at April 30, 2013</b> | \$ 1,000             | \$ 104                       | \$ 1,104        |
| Additions                           | -                    | 19                           | 19              |
| Foreign exchange differences        | -                    | 1                            | 1               |
| <b>Balance as at July 31, 2013</b>  | <b>\$ 1,000</b>      | <b>\$ 124</b>                | <b>\$ 1,124</b> |

## 6. CAPITAL STOCK

Authorized capital stock consists of:

Unlimited number of preferred shares, Unlimited number of common shares

|                                      | Number of<br>Common Shares | Amount           |
|--------------------------------------|----------------------------|------------------|
| <b>Balance as at April 30, 2013</b>  | 73,632,566                 | \$ 81,453        |
| Issued on exercise of stock options  | 378,500                    | 4,164            |
| Cancelled pursuant to NCIB           | (3,120)                    | (4)              |
| Transferred on stock option exercise | -                          | 2,121            |
| <b>Balance as at July 31, 2013</b>   | <b>74,007,946</b>          | <b>\$ 87,734</b> |

### *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 2014 the Company purchased and cancelled 3,120 common shares at a weighted average price of \$14.00 per share under the NCIB. Subsequent to quarter-end, on August 26, 2013 the Company filed a NCIB with the TSX to repurchase, at the Company's discretion, up to 3,700,397 outstanding common shares on the open market or as otherwise permitted, between September 3, 2013 and September 2, 2014, subject to normal terms and limitations of such bids.

### *Dividends Per Share*

During the quarter, \$0.16 in dividends per share was declared.

## 7. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

|   | Three month period ended<br>July 31, 2013 | Three month period ended<br>July 31, 2012 |
|---|---|---|
| Selling and administrative  | \$ 11,612                                 | \$ 12,367                                 |
| Share-based compensation (note 9)                                 | 716                                       | 742                                       |
| Depreciation of property, plant and equipment<br>(non-production) | 657                                       | 545                                       |
| Amortization of intangibles                                       | 89  | 163                                       |
|   | <b>\$ 13,074</b>                          | <b>\$ 13,817</b>                          |

## 8. STATEMENT OF CASH FLOWS

### Changes in non-cash working capital items

|                             | Three month period ended<br>July 31, 2013 | Three month period ended<br>July 31, 2012 |
|-----------------------------|---|---|
| Trade and other receivables | \$ 524                                    | \$ (14,327)                               |
| Prepaid expenses            | (75)                                      | 593                                       |
| Inventories                 | (798)                                     | 2,701                                     |
| Trade and other payables    | (11,964)                                  | (13,753)                                  |
| Deferred revenue            | (923)                                     | 1,127                                     |
| Provisions                  | 20  | 253                                       |
|                             | <b>\$ (13,216)</b>                        | <b>\$ (23,406)</b>                        |

## 9. 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<br>Options |           | Weighted<br>Average<br>Exercise Price |
|-------------------------------------|----------------------|-----------|---------------------------------------|
| <b>Balance as at April 30, 2012</b> | <b>4,614,400</b>     | <b>\$</b> | <b>13.09</b>                          |
| Granted                             | 73,000               |           | 15.04                                 |
| Exercised                           | (378,500)            |           | 11.00                                 |
| Forfeited                           | (27,000)             |           | 11.83                                 |
| Expired                             | (170,000)            |           | 18.10                                 |
| <b>Balance as at July 31, 2013</b>  | <b>4,111,900</b>     | <b>\$</b> | <b>13.11</b>                          |

Stock options outstanding as at July 31, 2013 are:

| Exercise Price    | Weighted Average<br>Exercise Price | Number of<br>Outstanding<br>Options | Weighted Average<br>Remaining<br>Contractual Life | Number of<br>Options<br>Exercisable | Weighted Average<br>Exercise Price of<br>Exercisable Options |
|-------------------|------------------------------------|-------------------------------------|---|-------------------------------------|--|
| \$9.93 - \$11.17  | \$ 10.83                           | 112,000                             | 0.6   | 78,000                              | \$ 10.89   |
| \$11.88 - \$13.14 | \$ 12.01                           | 2,406,000                           | 2.9   | 6,000                               | \$ 13.14   |
| \$13.84 - \$15.64 | \$ 14.32                           | 1,161,400                           | 3.0   | 235,400                             | \$ 14.61   |
| \$16.21 - \$19.34 | \$ 16.57                           | 432,500                             | 4.2   | -                                   | \$ -   |
| Totals            | \$ 13.11                           | 4,111,900                           | 2.4   | 319,400                             | \$ 13.67   |

### Compensation expense

The share-based compensation expense that has been charged against earnings over the three month period is \$716 (2012 - \$742). Compensation expense on grants during the period was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

|  | Three month period ended<br>July 31, 2013 | Three month period ended<br>July 31, 2012 |
|--|---|---|
| Risk-free interest rate  | 1.63%                                     | 1.25%                                     |
| Dividend yield   | 4.26%                                     | 4.05%                                     |
| Expected life  | 5 years                                   | 5 years                                   |
| Expected volatility  | 40%                                       | 44%                                       |
| Weighted average grant-date fair value:<br>Where the exercise price equaled the market price | \$3.72                                    | \$3.81                                    |

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 18% (2012 - 20%).

## 10. SEGMENTED INFORMATION

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

|               | Three month period ended |               |
|---------------|--------------------------|---------------|
| Revenue       | July 31, 2013            | July 31, 2012 |
| United States | \$ 29,049                | \$ 51,915     |
| International | 27,931                   | 36,571        |
| Canada        | 6,878                    | 7,475         |
|               | \$ 63,858                | \$ 95,961     |

|               | July 31, 2013                       |           |                      | April 30, 2013                      |           |                      |
|---------------|-------------------------------------|-----------|----------------------|-------------------------------------|-----------|----------------------|
|               | Property,<br>Plant and<br>Equipment | Goodwill  | Intangible<br>Assets | Property,<br>Plant and<br>Equipment | Goodwill  | Intangible<br>Assets |
| United States | \$ 12,085                           | \$ 294    | \$ -                 | \$ 12,367                           | \$ 288    | \$ -                 |
| International | 10,633                              | 17,430    | 469                  | 10,481                              | 17,436    | 558                  |
| Canada        | 25,333                              | -         | -                    | 23,789                              | -         | -                    |
|               | \$ 48,051                           | \$ 17,724 | \$ 469               | \$ 46,637                           | \$ 17,724 | \$ 558               |

## 11. RELATED PARTY TRANSACTIONS

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

### *Related Party Transactions*

Two shareholders each indirectly hold a 10% interest in the Company's leased premises in Ontario. This lease expires in 2019 with a total of \$4,774 committed over the remaining term. During the period, rent paid for the leased principal premises amounted to \$205 (2012 - \$205) with no outstanding amounts due as at July 31, 2013.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2016 with a total of \$800 committed over the remaining term. During the period, rent paid was \$62 (2012 - \$62) with no outstanding amounts due as at July 31, 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 \$4,280 committed over the remaining term. During the period, rent paid for the leased principal premises amounted to \$189 (2012 - \$180) with no outstanding amounts due as at July 31, 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 \$56 committed over the remaining term. During the period, rent paid was \$34 (2012 - \$34) with no outstanding amounts due as at July 31, 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 \$2,661 committed over the remaining term. During the period, rent paid was \$110 (2012 - \$105) with no outstanding amounts due as at July 31, 2013.

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

## 12. EARNINGS PER SHARE

|   | Three month period ended<br>July 31, 2013 | Three month period ended<br>July 31, 2012 |
|---|---|---|
| Weighted average common shares outstanding            | 73,784,853                                | 73,178,027                                |
| Dilutive effect of stock options                      | 268,691                                   | 206,884                                   |
| Diluted weighted average common shares<br>outstanding | 74,053,544                                | 73,384,911                                |

The weighted average number of diluted common shares excludes 565,500 options because they were anti-dilutive during the period (2012 – 1,215,000).

## 13. 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.

## 14. SUBSEQUENT EVENT

On September 11, 2013 the Company declared a dividend of \$0.16 with a record date of September 20, 2013 and a payment date of September 27, 2013.