

Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three month and Six month periods ended October 31, 2021 and 2020
(Unaudited)

MANAGEMENT REPORT

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

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

EVERTZ TECHNOLOGIES LIMITED

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(Unaudited)

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Three month and Six month ended October 31, 2021 and 2020

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EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

As at October 31, 2021 and April 30, 2021

(In thousands of Canadian dollars)

	October 31, 2021	April 30, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 37,666	\$ 108,771
Trade and other receivables (note 3)	82,973	76,785
Contract assets	7,878	2,821
Prepaid expenses	7,021	6,559
Inventories (note 4)	163,965	152,699
	299,503	347,635
Property, plant and equipment (note 5)	41,774	44,799
Right-of-use assets (note 7)	27,939	23,570
Goodwill	21,416	21,140
Intangibles	3,888	4,476
Investment in an Associate (note 19)	6,326	6,869
Deferred income taxes	4,741	3,304
	\$ 405,587	\$ 451,793
Liabilities		
Current liabilities		
Trade and other payables	\$ 73,633	\$ 66,727
Provisions (note 6)	4,156	4,069
Deferred revenue	68,135	58,047
Current portion of lease obligations (note 8)	3,887	4,122
Income tax payable	4,774	155
	154,585	133,120
Long-term redemption liability (note 18)	2,523	2,523
Long-term lease obligations (note 8)	25,105	21,245
	182,213	156,888
Equity		
Capital stock (note 9)	143,605	143,605
Share based payment reserve	10,380	9,514
Accumulated other comprehensive loss	(1,289)	(1,062)
Retained earnings	68,468	140,677
	67,179	139,615
Total equity attributable to shareholders	221,164	292,734
Non-controlling interest	2,210	2,171
	223,374	294,905
	\$ 405,587	\$ 451,793

See accompanying notes to the consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Six month periods ended October 31, 2021 and 2020
(In thousands of Canadian dollars)

	Capital stock	Share-based payment reserve	Accumulated other comprehensive earnings	Retained earnings	Total equity attributable to shareholders	Non- controlling interest	Total Equity
Balance at April 30, 2020	\$ 143,915	\$ 8,279	\$ 1,032	\$ 141,786	\$ 295,012	\$ 2,408	\$ 297,420
Net earnings for the period	-	-	-	21,533	21,533	230	21,763
Foreign currency translation adjustment	-	-	799	-	799	31	830
Total comprehensive earnings for the period	\$ 143,915	\$ 8,279	\$ 1,831	\$ 163,319	\$ 317,344	\$ 2,669	\$ 320,013
Dividends declared	-	-	-	(13,759)	(13,759)	(400)	(14,159)
Business acquisitions (note 18)	-	-	-	-	-	1,042	1,042
Share based compensation expense	-	604	-	-	604	-	604
Repurchase of common shares	(261)	-	-	(1,384)	(1,645)	-	(1,645)
Balance at October 31, 2020	\$ 143,654	\$ 8,883	\$ 1,831	\$ 148,176	\$ 302,544	\$ 3,311	\$ 305,855
Balance at April 30, 2021	\$ 143,605	\$ 9,514	\$ (1,062)	\$ 140,677	\$ 292,734	\$ 2,171	\$ 294,905
Net earnings for the period	-	-	-	31,538	31,538	334	31,872
Foreign currency translation adjustment	-	-	(227)	-	(227)	(45)	(272)
Total comprehensive earnings for the period	\$ -	\$ -	\$ (227)	\$ 31,538	\$ 31,311	\$ 289	\$ 31,600
Dividends declared	-	-	-	(103,747)	(103,747)	(250)	(103,997)
Share based compensation expense	-	866	-	-	866	-	866
Balance at October 31, 2021	\$ 143,605	\$ 10,380	\$ (1,289)	\$ 68,468	\$ 221,164	\$ 2,210	\$ 223,374

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings
(Unaudited)

Three month and six month periods ended October 31, 2021 and 2020
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended October 31,		Six month period ended October 31,	
	2021	2020	2021	2020
Revenue (note 14 and 15)	\$ 107,199	\$ 100,482	\$ 204,364	\$ 156,819
Cost of goods sold	46,122	40,823	86,601	64,936
Gross margin	61,077	59,659	117,763	91,883
Expenses				
Selling, administrative and general (note 10)	16,419	13,853	31,649	26,700
Research and development (note 11)	26,026	20,520	51,540	37,338
Investment tax credits	(2,862)	(4,684)	(5,806)	(6,169)
Foreign exchange (gain) loss	(2,206)	1,297	(3,633)	4,406
	37,377	30,986	73,750	62,275
	23,700	28,673	44,013	29,608
Finance income	137	597	220	690
Finance costs	(322)	(371)	(640)	(722)
Share of net loss from Investment in Associate, net of taxes (note 19)	(268)	-	(598)	-
Other income (expenses)	174	(781)	186	(673)
Earnings before income taxes	23,421	28,118	43,181	28,903
Provision for (recovery of) income taxes				
Current	5,841	7,080	13,642	8,487
Deferred	396	(150)	(2,333)	(1,347)
	6,237	6,930	11,309	7,140
Net earnings for the period	\$ 17,184	\$ 21,188	\$ 31,872	\$ 21,763
Net earnings attributable to non-controlling interest	193	140	334	230
Net earnings attributable to shareholders	16,991	21,048	31,538	21,533
Net earnings for the period	\$ 17,184	\$ 21,188	\$ 31,872	\$ 21,763
Earnings per share (note 17)				
Basic	\$ 0.22	\$ 0.28	\$ 0.41	\$ 0.28
Diluted	\$ 0.22	\$ 0.28	\$ 0.41	\$ 0.28

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited)

Three month and six month periods ended October 31, 2021 and 2020
(In thousands of Canadian dollars)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2021	2020	2021	2020
Net earnings for the period	\$ 17,184	\$ 21,188	\$ 31,872	\$ 21,763
Items that may be reclassified to net earnings:				
Foreign currency translation adjustment	(1,638)	(769)	(272)	830
Comprehensive earnings	\$ 15,546	\$ 20,419	\$ 31,600	\$ 22,593
Comprehensive earnings attributable to non-controlling interest	\$ 149	\$ 114	\$ 289	\$ 261
Comprehensive earnings attributable to shareholders	\$ 15,397	\$ 20,305	\$ 31,311	\$ 22,332
Comprehensive earnings	\$ 15,546	\$ 20,419	\$ 31,600	\$ 22,593

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three month and six month periods ended October 31, 2021 and 2020
(In thousands of Canadian dollars)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2021	2020	2021	2020
Operating activities				
Net earnings for the period	\$ 17,184	\$ 21,188	\$ 31,872	\$ 21,763
Add: Items not involving cash				
Depreciation of property, plant and equipment	2,991	2,981	5,731	5,810
Amortization of right-of-use assets (note 7)	1,300	1,282	2,569	2,563
Amortization of intangibles	301	107	600	217
Gain on disposal of property, plant and equipment	14	-	36	4
Share of net loss from Investment in Associate (note 19)	268	-	598	-
Share based compensation (note 13)	391	398	866	604
Interest expense	260	282	509	577
Deferred income tax recovery	396	(150)	(2,333)	(1,347)
	23,105	26,088	40,448	30,191
Current tax expenses, net of investment tax credits	2,979	2,406	7,836	2,328
Income taxes (paid) recovered	(2,003)	616	(3,075)	(2,715)
Changes in non-cash working capital items (note 12)	(23,153)	(8,310)	(6,285)	27,325
Cash provided by operating activities	928	20,800	38,924	57,129
Investing activities				
Acquisition of property, plant and equipment	(1,864)	(2,127)	(2,980)	(3,881)
Proceeds from disposal of property, plant and equipment	17	-	21	-
Business acquisitions (note 18)	-	(795)	-	(795)
Cash used in investing activities	(1,847)	(2,922)	(2,959)	(4,676)
Financing activities				
Repayment of long term debt	-	(64)	-	(124)
Principle payments of lease liabilities	(1,190)	(1,083)	(2,317)	(2,154)
Interest paid	(260)	(282)	(509)	(577)
Dividends paid	(90,016)	(6,879)	(103,747)	(13,759)
Dividends paid by subsidiaries to non-controlling interests	(250)	(400)	(250)	(400)
Capital stock repurchased (note 9)	-	(1,645)	-	(1,645)
Cash used in financing activities	(91,716)	(10,353)	(106,823)	(18,659)
Effect of exchange rates on cash and cash equivalents	(1,318)	482	(247)	1,223
(Decrease) increase in cash and cash equivalents	(93,953)	8,007	(71,105)	35,017
Cash and cash equivalents beginning of period	131,619	102,035	108,771	75,025
Cash and cash equivalents end of period	\$ 37,666	\$ 110,042	\$ 37,666	\$ 110,042

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three month and Six month periods ended October 31, 2021
(in thousands of Canadian dollars, except for “number of common shares”,
“number of options” and “per share” information)

Evertz Technologies Limited (“Evertz” or the “Company”) is incorporated under the *Canada Business Corporations Act*. The Company is incorporated and domiciled in Canada and the registered head office is located at 5292 John Lucas Drive, Burlington, Ontario, Canada. The Company is a leading supplier of software, equipment and technology solutions to content creators, broadcasters, specialty channels and television service providers. The Company designs, manufactures and distributes video and audio infrastructure solutions for the production, post-production, broadcast and telecommunications markets.

1. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and under International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” using the same accounting policies as described in the Company’s consolidated financial statements for the year ended April 30, 2021.

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, 2021 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 8, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

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 group functional currency. Each subsidiary of the Company determines its own functional currency based on the primary economic environment in which the subsidiary operates. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

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 power over an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the investor’s returns.

The results of subsidiaries acquired or disposed of are included in the consolidated statements of earnings and comprehensive earnings from the effective date of acquisition of control and up to the effective date of disposal of control, as appropriate. Total comprehensive earnings 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.

Note #2 continued ...

All intra-Company transactions, balances, income and expenses are eliminated in full on consolidation.

3. TRADE AND OTHER RECEIVABLES

	October 31, 2021	April 30, 2021
Trade receivables	\$ 79,675	\$ 72,529
Other receivables	3,298	4,256
	\$ 82,973	\$ 76,785

4. 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.

	October 31, 2021	April 30, 2020
Finished goods	\$ 59,610	\$ 58,319
Raw material and supplies	68,494	60,124
Work in progress	35,861	34,256
	\$ 163,965	\$ 152,699

5. PROPERTY, PLANT AND EQUIPMENT

	October 31, 2021			April 30, 2021		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Office furniture and equipment	\$ 4,643	\$ 3,066	\$ 1,577	\$ 4,787	\$ 3,231	\$ 1,556
Research and development equipment	40,952	29,741	11,211	40,778	28,027	12,751
Airplanes	11,599	9,435	2,164	11,535	9,154	2,381
Machinery and equipment	70,426	55,857	14,569	69,202	54,094	15,108
Leaseholds	9,189	6,282	2,907	9,188	6,037	3,151
Land	2,154	-	2,154	2,197	-	2,197
Buildings	10,474	3,282	7,192	10,710	3,055	7,655
	\$ 149,437	\$ 107,663	\$ 41,774	\$ 148,397	\$ 103,598	\$ 44,799

6. PROVISIONS

	Warranty and Returns	Lease/Retirement Obligations	Total
Balance as at April 30, 2021	\$ 3,331	\$ 738	\$ 4,069
Net additions	24	45	69
Foreign exchange differences	20	(2)	18
Balance as at October 31, 2021	\$ 3,375	\$ 781	\$ 4,156

Warranty and Returns

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

Note #6 continued ...

Lease/Retirement Obligations

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

7. RIGHT-OF-USE ASSETS

	Land & Building
Balance as at April 30, 2021	\$ 23,570
Additions	6,469
Amortization for the year	(2,569)
Foreign exchange adjustments	469
Balance as at October 31, 2021	\$ 27,939

8. LEASE LIABILITIES

	Lease Liability
Balance as at April 30, 2021	\$ 25,367
Additions	6,469
Interest	497
Lease Payments	(2,814)
Foreign exchange adjustments	(527)
Balance as at October 31, 2021	\$ 28,992
Less current portion	3,887
Long term lease obligations	\$ 25,105

9. 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, 2021	76,284,366	\$ 143,605
Cancelled pursuant to NCIB	-	-
Balance as at October 31, 2021	76,284,366	\$ 143,605

Dividends Per Share

During the quarter, \$1.18 in dividends per share were declared inclusive of a \$1.00 special dividend (2020 - \$0.09).

Normal Course Issuer Bid

In October 2020, the Company renewed their Normal Course Issuer Bid (“NCIB”) with the TSX to repurchase, at the Company’s discretion, until October 25, 2021 up to 3,819,487 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. During the six and three month periods, the Company did not purchase and cancel any shares (2020 – 15,300 at a weighted average price of \$11.71).

In October 2021, the Company renewed their NCIB with the TSX to repurchase, at the Company’s discretion, until October 28, 2022 up to 3,814,218 outstanding common shares on the open market, or as otherwise permitted, subject to normal terms and limitations of such bids. During the six month and three month periods, the Company did not purchase and cancel any shares (2020 – nil).

10. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2021	2020	2021	2020
Selling and administrative	\$ 14,773	\$ 12,773	\$ 28,730	\$ 24,692
Depreciation - selling and administration	958	790	1,770	1,575
General:				
Share based compensation (note 13)	387	183	549	216
Amortization of intangibles	301	107	600	217
	\$ 16,419	\$ 13,853	\$ 31,649	\$ 26,700

11. RESEARCH AND DEVELOPMENT

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2021	2020	2021	2020
Research and development	\$ 23,084	\$ 18,385	\$ 46,415	\$ 33,731
Depreciation - research and development	1,358	1,282	2,706	2,513
General:				
Share based compensation (note 13)	1,584	853	2,419	1,094
	\$ 26,026	\$ 20,520	\$ 51,040	\$ 37,338

12. STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2021	2020	2021	2020
Trade and other receivables	\$ (5,093)	\$ (6,412)	\$ (6,722)	\$ 20,428
Contract assets	(533)	574	(5,057)	532
Inventories	(9,103)	5,127	(11,595)	4,493
Prepaid expenses	(1,050)	(1,252)	(564)	(318)
Trade and other payables	(8,094)	(4,544)	7,478	(5,510)
Deferred revenue	608	(1,807)	10,088	8,504
Provisions	112	4	87	(804)
	\$ (23,153)	\$ (8,310)	\$ (6,285)	\$ 27,325

13. SHARE BASED PAYMENTS

Stock Option Plan

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

The Board of Directors administers the stock option plan and will determine the terms of any options granted. The exercise price of an option is to be set by the Board of Directors at the time of grant but shall not be lower than the market price as defined in the option plan at the time of grant. The term of the option cannot exceed 10 years. Stock options currently granted normally fully vest and expire by the end of the fifth year.

Note #13 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, 2021	5,885,000	\$ 13.46
Granted	3,000	15.14
Forfeited	(303,500)	12.80
Expired	(50,000)	17.38
Balance as at October 31, 2021	5,534,500	\$ 13.46

Stock options outstanding as at October 31, 2021 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
12.28-12.86	\$ 12.35	4,078,500	3.8	-	\$ -
14.07-15.80	\$ 15.33	553,500	2.6	130,300	\$ 15.61
16.08-16.87	\$ 16.41	355,000	2.1	108,000	\$ 16.82
17.24-18.63	\$ 17.87	547,500	2.8	41,500	\$ 17.48
Totals	\$ 13.46	5,534,500	3.5	279,800	\$ 16.35

Restricted Share Unit Plan

The Company established, in March 2016, a restricted share unit (“RSU”) plan to provide an incentive to participants; including key executives of the Company, by rewarding such participants with equity-based compensation. Under the terms of the plan, RSU’s are issued to the participant with a vesting period of three years.

On the vesting date, all RSU’s will be redeemed in cash at the fair market value at the date of vest plus any accrued dividends. The changes in the number of outstanding RSUs are as follows:

	Number of RSUs
Balance as at April 30, 2021	797,500
Granted	10,000
Forfeited	(30,000)
Balance as at October 31, 2021	777,500

As at October 31, 2021, the average remaining contractual life for outstanding RSUs is 0.9 years (2021 – 1.4 years).

Compensation expense

Stock Option Plan

The share based compensation expense that has been charged against earnings over the six month and three month period is \$866 (2020 - \$604) and \$391 (2020 – \$398). Compensation expense on grants during the year was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six month period ended October 31, 2021	Six month period ended October 31, 2020
Risk-free interest rate	0.94%	0.36%
Dividend yield	4.76%	5.13%
Expected life	5 years	5 years
Expected volatility	24%	23%
Weighted average grant-date fair value	\$1.74	\$1.16

Note #13 continued ...

Expected volatility is based on historical share price volatility over the past five years of the Company. Share based compensation expense was calculated using a weighted average forfeiture rate of 16% (2020 – 11%).

Restricted Share Unit Plan

The share based compensation expense that has been charged against earnings over the six month and three month periods is \$2,625 (2020 - \$1,384) and \$2,102 (2020 - \$1,312). Share based compensation expense was calculated using a weighted average forfeiture rate of 8% (2020 - 3%). As at October 31, 2021, the total liability included within trade and other payables is \$9,784 (2020 - \$6,083).

14. 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	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2021	2020	2021	2020
United States	\$ 75,636	\$ 63,696	\$ 132,242	\$ 98,053
International	28,966	33,567	61,718	53,976
Canada	2,597	3,219	10,404	4,790
	\$ 107,199	\$ 100,482	\$ 204,364	\$ 156,819

October 31, 2021					
	Property, Plant and Equipment	Goodwill	Intangible Assets	Right-of-Use Assets	Investment in an Associate
United States	\$ 4,643	\$ 1,183	\$ 1,121	\$ 929	\$ 6,326
International	11,007	18,650	2,767	5,054	-
Canada	26,124	1,583	-	21,956	-
	\$ 41,774	\$ 21,416	\$ 3,888	\$ 27,939	\$ 6,326

April 30, 2021					
	Property, Plant and Equipment	Goodwill	Intangible Assets	Right-of-Use Assets	Investment in an Associate
United States	\$ 4,959	\$ 1,225	\$ 1,363	\$ 1,162	\$ 6,869
International	10,794	18,332	3,113	94	-
Canada	29,046	1,583	-	22,314	-
	\$ 44,799	\$ 21,140	\$ 4,476	\$ 23,570	\$ 6,869

15. REVENUE

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2021	2020	2021	2020
Hardware, including related software	\$ 76,096	\$ 73,909	\$ 152,607	\$ 120,663
Services, including warranty, training and commissioning	11,910	10,861	20,245	16,042
Long term contract revenue	19,193	15,712	31,512	20,114
	\$ 107,199	\$ 100,482	\$ 204,364	\$ 156,819

16. RELATED PARTY TRANSACTIONS

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

Related Party Transactions

Two shareholders each indirectly hold a 16% interest in the Company's leased premises in Ontario. This lease expires in 2029 with a total of \$8,069 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$525 (2020 – \$509) and \$262 (2020 - \$255) with no outstanding amounts due as at October 31, 2021.

The Company also leases property where two shareholders indirectly own 100% interest. This lease was renewed in October 2021 and expires in 2026 with a total of \$1,500 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$136 (2020 – \$132) and \$73 (2020 - \$66) with no outstanding amounts due as at October 31, 2021.

On December 1, 2008 the Company entered into a property lease agreement where two shareholders each indirectly hold a 20% interest in the Company's leased premises in Ontario. This lease expires in 2028 with a total of \$6,450 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$433 (2020 – \$420) and \$216 (2020 - \$210) with no outstanding amounts due as at October 31, 2021.

On May 1, 2009 the Company entered into a property lease agreement where two shareholders each indirectly hold a 35% interest. This lease expires in 2029 with a total of \$4,158 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$263 (2020 – \$254) and \$131 (2020 - \$127) with no outstanding amounts due as at October 31, 2021.

The Company also leases a property where two shareholders indirectly own 100% interest. The lease expires in 2023 with a total of \$178 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$76 (2020 – \$76) and \$38 (2020 - \$38) with no outstanding amounts due as at October 31, 2021.

On May 1, 2016 the Company entered into a property lease agreement where two shareholders each hold a 46.6% interest. This lease expires in 2026 with a total of \$4,655 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$498 (2020 – \$498) and \$249 (2020 - \$249) with no outstanding amounts due as at October 31, 2021.

On August 1, 2016 the Company entered into a property lease agreement. Currently two shareholders indirectly own 100% interest. This lease expires in 2026 with a total of \$1,312 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$132 (2020 – \$129) and \$66 (2020 - \$66) with no outstanding amounts due as at October 31, 2021.

These transactions were in the normal course of business and entered into at their respective fair values.

17. EARNINGS PER SHARE

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2021	2020	2021	2020
Weighted average common shares outstanding	76,284,366	76,409,882	76,284,366	76,429,664
Dilutive effect of stock options	277,114	78,389	354,999	-
Diluted weighted average common shares outstanding	76,561,480	76,488,271	76,639,365	76,429,664

The weighted average number of diluted common shares excludes 1,331,000 options because they were anti-dilutive during the period (2020 – 1,533,500).

18. BUSINESS ACQUISITIONS

Business Combinations

On October 27, 2020, the Company completed the investment of 73% in the voting share capital of Ease Live AS (“Ease Live”), who are based in Bergen, Norway. Ease Live, which was formerly part of Sixty AS, is a direct to consumer interactive graphics company. The fair value of total consideration transferred upon acquisition included cash considerations of \$5,327, which was transferred into Ease Live for future use. The non-controlling shareholders hold a put option for the remaining shareholdings, exercisable between November 15, 2022 and December 15, 2022 for a fixed cash price of \$3,662. The put option has been separately valued as a redemption liability and the non-controlling interest is deemed to have been acquired at the acquisition date. 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 2021, the Company recognized \$66 of transaction costs in selling, administrative and general expenses relating to the transaction. During the six month period, \$690 in revenue and \$665 in losses were included within the consolidated statement of earnings (2020 – nil). During the three month period, \$305 in revenue and \$656 in losses were included with the consolidated statement earnings (2020 – nil).

The allocation of the purchase price was based on management’s estimate of the fair value of assets acquired and liabilities assumed. The total purchase price of \$795 is net of \$4,532 cash left in the company for future operations. The allocation of the purchase price was as follows and is subject to adjustments as additional information is evaluated by the company:

The intangible assets relate to the technology, patents and workforce acquired during the investment. Goodwill of \$650 arising from the acquisition consists largely of the expansion of the Company’s product lines and potential customer base.

Trade and other payables	(791)
Intangible assets	3,459
Goodwill (not tax deductible)	650
Long-term redemption liability	(2,523)
	<u>\$ 795</u>

Asset Acquisitions

In February 2021, the Company completed the asset acquisition of the “Studer” audio brand technology and related assets from Harman International. The fair value of total consideration transferred upon acquisition included cash considerations of \$369, cash considerations held in escrow for twelve months after acquisition of \$123 and the undertaking of warranty and other related obligations fair valued at \$63. The allocation of the purchase price was based on management’s estimate of the fair value of assets acquired and liabilities assumed. The allocation of the purchase price was as follows:

Note #18 continued ...

Inventory	158
Intangible assets	397
Trade and other payables	(63)
	<u>\$ 492</u>

The intangible assets relate to the technology, patents, brand and workforce acquired.

19. INVESTMENT IN AN ASSOCIATE

In December 2020, the Company invested \$7,800 in the share capital of DDSports Inc. (Shot Tracker), a revolutionary sports technology company based in Kansas, United States. The Company has a significant influence on DDSports Inc., due to its approximately 20% percentage ownership and the holding of a board seat. As such, the investment is treated under the equity method. Under the equity method, the initial investment is recognized at cost, and the carrying amount is increased or decreased in recognition of the Company's share of the profit or loss of DDSports Inc. after the date of acquisition.

During the six month and three month periods, \$598 and \$268 in losses were recorded in recognition of the Company's share of DDSports Inc. losses during fiscal 2022 (2020 - nil). As at October 31, 2021, DDSports Inc. had \$10,269 in working capital and \$13,155 in net assets.

20. SUBSEQUENT EVENT

On December 8, 2021 the Company declared a quarterly dividend of \$0.18 with a record date of December 16, 2021 and a payment date of December 23, 2021.