

Interim condensed consolidated financial statements of

**EVERTZ TECHNOLOGIES LIMITED**

Three month and Nine month periods ended January 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)

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Three month and Nine month periods ended January 31, 2013 and 2012

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# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position  
(Unaudited)

As at January 31, 2013 and April 30, 2012  
(In thousands of Canadian dollars)

	January 31, 2013	April 30, 2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 212,202	\$ 173,665
Instruments held for trading	12,113	12,004
Trade and other receivables	53,019	61,806
Inventories	114,937	109,211
Income tax receivable	2,849	11,695
	\$ 395,120	\$ 368,381
Assets held for sale (note 13)	\$ 3,781	\$ 3,781
Property, plant and equipment (note 4)	\$ 45,490	\$ 41,190
Goodwill	17,756	17,507
Intangible assets	654	1,005
	\$ 462,801	\$ 431,864
<b>Liabilities</b>		
Trade and other payables	\$ 30,762	\$ 37,034
Provisions (note 6)	1,100	809
Deferred revenue	7,178	4,460
Current portion of long term debt	428	401
	\$ 39,468	\$ 42,704
Long term debt	\$ 1,650	\$ 1,875
Deferred taxes	9,088	7,331
	\$ 50,206	\$ 51,910
<b>Equity</b>		
Capital stock (note 5)	\$ 80,538	\$ 67,458
Share based payment reserve	10,503	14,320
Accumulated other comprehensive loss	(693)	(906)
Retained earnings	319,342	297,545
	\$ 318,649	\$ 296,639
Total equity attributable to shareholders	409,690	378,417
Non-controlling interest	2,905	1,537
	412,595	379,954
	\$ 462,801	\$ 431,864

See accompanying notes to the interim condensed consolidated financial statements.

## EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity  
(Unaudited)

Nine month period ended January 31, 2013 and 2012  
(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
<b>Balance at April 30, 2011</b>	<b>\$ 58,882</b>	<b>\$ 13,762</b>	<b>\$ 440</b>	<b>\$ 299,125</b>	<b>\$ 372,209</b>	<b>\$ 1,550</b>	<b>\$ 373,759</b>
Net earnings for the period	-	-	-	46,160	46,160	306	\$ 46,466
Foreign currency translation adjustment	-	-	(1,003)	-	(1,003)	(87)	(1,090)
<b>Total comprehensive income for the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,003)</b>	<b>\$ 46,160</b>	<b>\$ 45,157</b>	<b>\$ 219</b>	<b>\$ 45,376</b>
Dividends declared	-	-	-	(26,609)	(26,609)	(400)	(27,009)
Compensation expense related to stock options	-	2,293	-	-	2,293	-	2,293
Exercise of employee stock options	7,456	-	-	-	7,456	-	7,456
Transfer of stock option exercise	2,509	(2,509)	-	-	-	-	-
Repurchase of common shares	(1,581)	-	-	(23,647)	(25,228)	-	(25,228)
<b>Balance at January 31, 2012</b>	<b>\$ 67,266</b>	<b>\$ 13,546</b>	<b>\$ (563)</b>	<b>\$ 295,029</b>	<b>\$ 375,278</b>	<b>\$ 1,369</b>	<b>\$ 376,647</b>
Net earnings for the period	-	-	-	13,380	13,380	110	\$ 13,490
Foreign currency translation adjustment	-	-	(343)	-	(343)	58	(285)
<b>Total comprehensive income for the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (343)</b>	<b>\$ 13,380</b>	<b>\$ 13,037</b>	<b>\$ 168</b>	<b>\$ 13,205</b>
Dividends declared	-	-	-	(10,253)	(10,253)	-	(10,253)
Compensation expense related to stock options	-	871	-	-	871	-	871
Exercise of employee stock options	132	-	-	-	132	-	132
Transfer of stock option exercise	97	(97)	-	-	-	-	-
Repurchase of common shares	(37)	-	-	(611)	(648)	-	(648)
<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	-	-	-	56,480	56,480	550	57,030
Foreign currency translation adjustment	-	-	213	-	213	(2)	211
<b>Total comprehensive income for the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 213</b>	<b>\$ 56,480</b>	<b>\$ 56,693</b>	<b>\$ 548</b>	<b>\$ 57,241</b>
Dividends declared	-	-	-	(30,729)	(30,729)	(400)	(31,129)
Business acquisitions	-	-	-	-	-	1,220	1,220
Compensation expense related to stock options	-	2,178	-	-	2,178	-	2,178
Exercise of employee stock options	7,377	-	-	-	7,377	-	7,377
Transfer of stock option exercise	5,995	(5,995)	-	-	-	-	-
Repurchase of common shares	(292)	-	-	(3,954)	(4,246)	-	(4,246)
<b>Balance at January 31, 2013</b>	<b>\$ 80,538</b>	<b>\$ 10,503</b>	<b>\$ (693)</b>	<b>\$ 319,342</b>	<b>\$ 409,690</b>	<b>\$ 2,905</b>	<b>\$ 412,595</b>

See accompanying notes to the interim condensed consolidated financial statements.

# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings  
(Unaudited)

Three month and nine month periods ended January 31, 2013 and 2012  
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2013	2012	2013	2012
Revenue	\$ 71,771	\$ 71,445	\$ 250,890	\$ 217,060
Cost of goods sold	31,499	31,283	106,103	93,675
Gross margin	40,272	40,162	144,787	123,385
Expenses				
Selling, administrative and general (note 7)	15,052	14,257	43,408	39,476
Research and development	13,098	11,058	37,502	31,418
Investment tax credits	(3,519)	(2,574)	(9,569)	(7,310)
Foreign exchange (gain) loss	(1,467)	64	(2,790)	(3,001)
	23,164	22,805	68,551	60,583
	17,108	17,357	76,236	62,802
Finance income	699	551	1,576	1,427
Finance costs	(103)	(45)	(269)	(142)
Other income and expenses	276	(332)	272	(557)
Earnings before income taxes	17,980	17,531	77,815	63,530
Provision for (recovery of) income taxes				
Current	3,968	4,323	19,280	17,804
Deferred	833	463	1,505	(740)
	4,801	4,786	20,785	17,064
Net earnings for the period	\$ 13,179	\$ 12,745	\$ 57,030	\$ 46,466
Net earnings attributable to non-controlling interest	195	108	\$ 550	306
Net earnings attributable to shareholders	12,984	12,637	\$ 56,480	46,160
Net earnings for the period	\$ 13,179	\$ 12,745	\$ 57,030	\$ 46,466
Earnings per share (note 12)				
Basic	\$ 0.18	\$ 0.17	\$ 0.77	\$ 0.63
Diluted	\$ 0.18	\$ 0.17	\$ 0.77	\$ 0.62

See accompanying notes to the interim condensed consolidated financial statements.

## EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

Three month and nine month periods ended January 31, 2013 and 2012  
(In thousands of Canadian dollars)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2013	2012	2013	2012
Net earnings for the period	\$ 13,179	\$ 12,745	\$ 57,030	\$ 46,466
Foreign currency translation adjustment	(289)	(1,019)	211	(1,090)
Comprehensive income	\$ 12,890	\$ 11,726	\$ 57,241	\$ 45,376
Comprehensive income attributable to non-controlling interest	\$ 193	\$ 68	\$ 548	\$ 219
Comprehensive income attributable to shareholders	\$ 12,697	\$ 11,658	\$ 56,693	\$ 45,157
Comprehensive income	\$ 12,890	\$ 11,726	\$ 57,241	\$ 45,376

See accompanying notes to the interim condensed consolidated financial statements.

# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited)

Three month and nine month periods ended January 31, 2013 and 2012  
(In thousands of Canadian dollars)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2013	2012	2013	2012
<b>Operating activities</b>				
Net earnings	\$ 13,179	\$ 12,745	\$ 57,030	\$ 46,466
Add: Items not involving cash				
Depreciation of property, plant and equipment	1,953	1,875	5,674	5,354
Amortization of intangible assets	90	308	341	924
Gain on instruments held for trading	(36)	(36)	(109)	(55)
(Gain) loss on disposal of property, plant and equipment	-	19	(19)	123
Impairment loss on property, plant and equipment	-	420	-	420
Share-based compensation	708	869	2,178	2,293
Deferred income tax expense (recovery)	816	463	1,505	(740)
	16,710	16,663	66,600	54,785
Changes in non-cash working capital items (note 8)	5,253	7,114	11,325	3,809
Cash provided by operating activities	21,963	23,777	77,925	58,594
<b>Investing activities</b>				
Business acquisitions, net of cash (note 3)	(3,774)	-	(3,774)	-
Proceeds from disposal of instruments held for trading	-	-	-	4,133
Acquisition of property, plant and equipment	(2,427)	(10,887)	(6,917)	(14,993)
Proceeds from disposal of property, plant and equipment	-	22	54	218
Cash used in investing activities	(6,201)	(10,865)	(10,637)	(10,642)
<b>Financing activities</b>				
Repayment of long term debt	(522)	(141)	(708)	(389)
Dividends paid	(10,244)	(8,789)	(30,729)	(26,609)
Dividends paid by subsidiaries to non-controlling interests	-	-	(400)	(400)
Capital stock repurchase	(46)	(1,846)	(4,246)	(25,228)
Capital stock issued	4,500	2,027	7,377	7,455
Cash used in financing activities	(6,312)	(8,749)	(28,706)	(45,171)
Effect of exchange rates on cash	(513)	(1)	(45)	(214)
Increase in cash and cash equivalents	8,937	4,162	38,537	2,567
Cash and cash equivalents beginning of period	203,265	174,240	173,665	175,835
Cash and cash equivalents end of period	\$ 212,202	\$ 178,402	\$ 212,202	\$ 178,402
<b>Interest and income taxes</b>				
	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2013	2012	2013	2012
Interest paid	\$ 51	\$ 41	\$ 159	\$ 138
Income taxes (received) paid	\$ (41)	\$ 5,351	\$ 363	\$ 16,221

See accompanying notes to the interim condensed consolidated financial statements.

## EVERTZ TECHNOLOGIES LIMITED

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

Three month and nine month periods ended January 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, 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 March 5, 2013.

#### 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.

##### *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.

Note #2 continued ...

### **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. BUSINESS ACQUISITIONS**

On December 13, 2012 the Company completed the purchase of 80% of 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>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

	January 31, 2013			April 30, 2012		
	Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
Office furniture and equipment	\$ 1,591	\$ 924	\$ 667	\$ 1,680	\$ 1,068	\$ 612
Research and development equipment	16,368	7,910	8,458	10,952	6,365	4,587
Airplanes	12,639	1,914	10,725	12,639	809	11,830
Machinery and equipment	46,758	30,092	16,666	40,507	25,481	15,026
Leaseholds	3,729	2,546	1,183	3,598	2,225	1,373
Land	1,695	-	1,695	1,448	-	1,448
Buildings	7,650	1,554	6,096	7,610	1,296	6,314
	\$ 90,430	\$ 44,940	\$ 45,490	\$ 78,434	\$ 37,244	\$ 41,190

#### 5. CAPITAL STOCK

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

	Number of Common Shares	Amount
<b>Balance as at April 30, 2012</b>	<b>73,225,786</b>	<b>\$ 67,458</b>
Issued on exercise of stock options	666,600	7,377
Cancelled pursuant to NCIB	(317,620)	(292)
Transferred from share based payment reserve	-	5,995
<b>Balance as at January 31, 2013</b>	<b>73,574,766</b>	<b>\$ 80,538</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 the first nine months of fiscal 2013 in combination with a prior NCIB that expired in June 2012, the Company purchased and cancelled 317,620 common shares at a weighted average price of \$13.37 per share under the NCIB.

#### *Dividends Per Share*

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

#### 6. PROVISIONS

	Warranty & Returns	Lease/Retirement Obligations	Total
<b>Balance as at April 30, 2012</b>	<b>\$ 762</b>	<b>\$ 47</b>	<b>\$ 809</b>
Additions	250	40	290
Foreign exchange differences	2	(1)	1
<b>Balance as at January 31, 2013</b>	<b>\$ 1,014</b>	<b>\$ 86</b>	<b>\$ 1,100</b>

## 7. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2013	2012	2013	2012
Selling and administrative	\$ 13,659	\$ 12,677	\$ 39,118	\$ 34,798
Share-based compensation (note 9)	708	869	2,178	2,293
Depreciation of property, plant and equipment (non-production)	595	403	1,771	1,461
Amortization of intangible assets	90	308	341	924
	\$ 15,052	\$ 14,257	\$ 43,408	\$ 39,476

## 8. STATEMENT OF CASH FLOWS

### Changes in non-cash working capital items

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2013	2012	2013	2012
Trade and other receivables	\$ 5,159	\$ 6,210	\$ 10,117	\$ 1,235
Inventories	(4,845)	(612)	(3,732)	1,727
Income taxes receivable	277	(4,373)	9,204	(5,928)
Trade payable and accrued liabilities	4,280	5,519	(7,150)	3,736
Deferred revenue	346	805	2,595	3,465
Provisions	36	(435)	291	(426)
	\$ 5,253	\$ 7,114	\$ 11,325	\$ 3,809

## 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.

Note #9 continued ...

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

	Number of Options	Weighted Average Exercise Price
<b>Balance as at April 30, 2012</b>	<b>4,678,300</b>	<b>\$ 12.60</b>
Granted	968,000	14.79
Exercised	(666,600)	11.07
Cancelled	(105,000)	11.82
Expired	(209,500)	17.33
<b>Balance as at January 31, 2013</b>	<b>4,665,200</b>	<b>\$ 13.08</b>

Stock options outstanding as at January 31, 2013 are:

Exercise Price	Weighted Average Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$9.93 - \$11.17	\$ 10.94	546,500	0.7	392,500	\$ 10.94
\$11.88	\$ 11.88	2,064,500	3.5	-	-
\$12.23 - \$16.21	\$ 14.36	1,834,200	3.5	243,200	\$ 14.57
\$18.10 - \$19.34	\$ 18.38	220,000	1.1	136,000	\$ 18.10
Totals	\$ 13.08	4,665,200	3.1	771,700	\$ 13.25

### Compensation expense

The share-based compensation expense that has been charged against earnings over the nine month period is \$2,178 (2012 - \$2,293). Compensation expense on grants during the period was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 31, 2013	January 31, 2012
Risk-free interest rate	1.27%	1.42%
Dividend yield	3.81%	4.01%
Expected life	5 years	5 years
Expected volatility	42%	40%
Weighted average grant-date fair value: Where the exercise price equaled the market price	\$3.99	\$3.00

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

## 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.

Revenue	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2013	2012	2013	2012
United States	\$ 27,872	\$ 24,398	\$ 117,659	\$ 86,622
International	38,000	39,494	110,997	103,867
Canada	5,899	7,553	22,234	26,571
	\$ 71,771	\$ 71,445	\$ 250,890	\$ 217,060

	January 31, 2013			April 30, 2012		
	Capital Assets	Goodwill	Intellectual Property	Capital Assets	Goodwill	Intellectual Property
United States	\$ 13,110	\$ 286	\$ -	\$ 11,956	\$ -	\$ -
International	9,961	17,470	654	10,200	17,507	1,005
Canada	22,419	-	-	19,034	-	-
	\$ 45,490	\$ 17,756	\$ 654	\$ 41,190	\$ 17,507	\$ 1,005

## 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 \$5,183 committed over the remaining term. During the nine and three month period, rent paid for the leased principal premises amounted to \$614 (2012 - \$598) and \$204 (2012 - \$199) respectively with no outstanding amounts due as at January 31, 2013.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2016 with a total of \$923 committed over the remaining term. During the nine and three month period, rent paid was \$185 (2012 - \$182) and \$62 (2012 - \$61) respectively with no outstanding amounts due as at January 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 \$4,658 committed over the remaining term. During the nine and three month period, rent paid for the leased principal premises amounted to \$546 (2012 - \$540) and \$186 (2012 - \$180) respectively with no outstanding amounts due as at January 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 \$124 committed over the remaining term. During the nine and three month period, rent paid was \$102 (2012 - \$98) and \$34 (2012 - \$33) respectively with no outstanding amounts due as at January 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 \$2,876 committed over the remaining term. During the nine and three month period, rent paid was \$314 (2012 - \$314) and \$105 (2012 - \$105) respectively with no outstanding amounts due as at January 31, 2013.

*Note #11 continued ...*

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**

	<b>Three month period ended January 31,</b>		<b>Nine month period ended January 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Weighted average common shares outstanding	73,293,931	73,222,526	73,190,057	73,746,646
Dilutive effect of stock options	617,749	68,737	517,748	190,608
Diluted weighted average common shares outstanding	73,911,680	73,291,263	73,707,805	73,937,254

The weighted average number of diluted common shares for nine month period ended excludes 650,500 options because they were anti-dilutive during the period (2012 – 3,479,115).

## **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 March 5, 2013 the Company declared a dividend of \$0.16 with a record date of March 15, 2013 and a payment date of March 22, 2013.