

Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three month and Nine month periods ended January 31, 2023 and 2022
(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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EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

As at January 31, 2023 and April 30, 2022
(In thousands of Canadian dollars)

	January 31, 2023	April 30, 2022
Assets		
Current assets		
Cash and cash equivalents (note 7)	\$ -	\$ 33,902
Trade and other receivables (note 3)	96,278	100,020
Contract assets	15,921	6,398
Prepaid expenses	10,231	5,930
Inventories (note 4)	206,908	177,268
	329,338	323,518
Property, plant and equipment (note 5)	36,017	37,877
Right-of-use assets	21,405	24,637
Goodwill	21,181	21,033
Intangibles	2,418	3,317
Investment in an Associate (note 17)	3,277	5,474
Investments (note 2)	10,482	-
Deferred income taxes	5,552	5,123
	\$ 429,670	\$ 420,979
Liabilities		
Current liabilities		
Bank Indebtedness (note 7)	\$ 5,264	\$ -
Trade and other payables	75,548	68,405
Provisions (note 6)	5,713	7,379
Deferred revenue	73,311	74,267
Current portion of redemption of liability	3,711	3,423
Current portion of lease obligations	4,019	4,088
Income tax payable	4,267	7,009
	171,833	164,571
Long-term lease obligations	19,779	22,760
	191,612	187,331
Equity		
Capital stock (note 8)	143,406	143,502
Share based payment reserve	13,479	10,893
Accumulated other comprehensive loss	(5,430)	(4,093)
Retained earnings	83,802	80,636
	78,372	76,543
Total equity attributable to shareholders	235,257	230,938
Non-controlling interest	2,801	2,710
	238,058	233,648
	\$ 429,670	\$ 420,979

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Nine month periods ended January 31, 2022 and 2023
(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, 2021	\$ 143,605	\$ 9,514	\$ (1,062)	\$ 140,677	\$ 292,734	\$ 2,171	\$ 294,905
Net earnings for the period	-	-	-	52,788	52,788	676	53,464
Foreign currency translation adjustment	-	-	1,274	-	1,274	(57)	1,217
Total comprehensive earnings for the period	\$ -	\$ -	\$ 1,274	\$ 52,788	\$ 54,062	\$ 619	\$ 54,681
Dividends declared	-	-	-	(117,476)	(117,476)	(250)	(117,726)
Share based compensation expense	-	1,217	-	-	1,217	-	1,217
Repurchase of common shares	(103)	-	-	(588)	(691)	-	(691)
Balance at January 31, 2022	\$ 143,502	\$ 10,731	\$ 212	\$ 75,401	\$ 229,846	\$ 2,540	\$ 232,386
Balance at April 30, 2022	\$ 143,502	\$ 10,893	\$ (4,093)	\$ 80,636	\$ 230,938	\$ 2,710	\$ 233,648
Net earnings for the period	-	-	-	45,609	45,609	395	46,004
Unrealized loss on FVTOCI investments, net of tax	-	-	(3,368)	-	(3,368)	-	(3,368)
Foreign currency translation adjustment	-	-	2,031	-	2,031	121	2,152
Total comprehensive earnings for the period	\$ -	\$ -	\$ (1,337)	\$ 45,609	\$ 44,272	\$ 516	\$ 44,788
Dividends declared	-	-	-	(41,919)	(41,919)	(425)	(42,344)
Repurchase of common shares (note 8)	(96)	-	-	(524)	(620)	-	(620)
Share based compensation expense	-	2,586	-	-	2,586	-	2,586
Balance at January 31, 2023	\$ 143,406	\$ 13,479	\$ (5,430)	\$ 83,802	\$ 235,257	\$ 2,801	\$ 238,058

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, 2023 and 2022
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Revenue (note 13 and 14)	\$ 110,873	\$ 120,563	\$ 325,659	\$ 324,927
Cost of goods sold	45,262	51,351	134,047	137,952
Gross margin	65,611	69,212	191,612	186,975
Expenses				
Selling, administrative and general (note 9)	17,730	17,292	47,811	48,941
Research and development (note 10)	31,641	26,569	90,266	78,109
Investment tax credits	(3,550)	(3,235)	(9,912)	(9,041)
Foreign exchange loss (gain)	2,325	(1,741)	(1,714)	(5,374)
	48,146	38,885	126,451	112,635
	17,465	30,327	65,161	74,340
Finance (costs) income	(686)	(581)	(1,143)	(1,001)
Share of net loss from Investment in Associate, net of taxes (note 17)	(675)	(426)	(2,087)	(1,024)
Other income (expenses)	118	(422)	(42)	(236)
Earnings before income taxes	16,222	28,898	61,889	72,079
Provision for (recovery of) income taxes				
Current	3,376	5,840	16,545	19,482
Deferred	749	1,466	(660)	(867)
	4,125	7,306	15,885	18,615
Net earnings for the period	\$ 12,097	\$ 21,592	\$ 46,004	\$ 53,464
Net earnings attributable to non-controlling interest	146	342	395	676
Net earnings attributable to shareholders	11,951	21,250	45,609	52,788
Net earnings for the period	\$ 12,097	\$ 21,592	\$ 46,004	\$ 53,464
Earnings per share (note 16)				
Basic	\$ 0.16	\$ 0.28	\$ 0.60	\$ 0.69
Diluted	\$ 0.16	\$ 0.28	\$ 0.60	\$ 0.69

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited)

Three month and nine month periods ended January 31, 2023 and 2022
(In thousands of Canadian dollars)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Net earnings for the period	\$ 12,097	\$ 21,592	\$ 46,004	\$ 53,464
Other comprehensive earnings (loss):				
Unrealized gain (loss) on investments net of tax	2,453	-	(3,368)	-
Foreign currency translation adjustment	2,034	1,489	2,152	1,217
Comprehensive earnings	\$ 16,584	\$ 23,081	\$ 44,788	\$ 54,681
Comprehensive earnings attributable to non-controlling interest	\$ 266	\$ 330	\$ 516	\$ 619
Comprehensive earnings attributable to shareholders	\$ 16,318	\$ 22,751	\$ 44,272	\$ 54,062
Comprehensive earnings	\$ 16,584	\$ 23,081	\$ 44,788	\$ 54,681

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, 2023 and 2022
(In thousands of Canadian dollars)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Operating activities				
Net earnings for the period	\$ 12,097	\$ 21,592	\$ 46,004	\$ 53,464
Add: Items not involving cash				
Depreciation of property, plant and equipment	2,451	2,880	8,323	8,611
Amortization of right-of-use assets	1,176	1,161	3,541	3,730
Amortization of intangibles	309	304	925	904
Gain on disposal of property, plant and equipment	(11)	(412)	16	(376)
Share of net loss from Investment in Associate (note 17)	675	426	2,087	1,024
Share based compensation (note 12)	1,089	351	2,586	1,217
Interest expense	547	825	1,532	1,334
Deferred income tax recovery (paid)	1,244	1,466	(165)	(867)
	19,577	28,593	64,849	69,041
Current tax expenses, net of investment tax credits	(174)	2,605	6,633	10,441
Income taxes paid	(2,290)	(2,111)	(10,110)	(5,186)
Changes in non-cash working capital items (note 11)	(868)	(20,826)	(33,456)	(27,111)
Cash provided by operating activities	16,245	8,261	27,916	47,185
Investing activities				
Acquisition of property, plant and equipment	(1,566)	(1,170)	(5,901)	(4,150)
Proceeds from disposal of property, plant and equipment	21	467	59	488
Acquisition of investments	(82)	-	(14,345)	-
Cash used in investing activities	(1,627)	(703)	(20,187)	(3,662)
Financing activities				
Principle payments of lease liabilities	(1,072)	(1,010)	(3,195)	(3,327)
Interest paid	(547)	(291)	(1,244)	(800)
Dividends paid	(14,478)	(13,729)	(41,919)	(117,476)
Dividends paid by subsidiaries to non-controlling interests	-	-	(425)	(250)
Capital stock repurchased (note 8)	(218)	(691)	(620)	(691)
Cash used in financing activities	(16,315)	(15,721)	(47,403)	(122,544)
Effect of exchange rates on cash and cash equivalents	626	289	508	42
Decrease in cash and cash equivalents	(1,071)	(7,874)	(39,166)	(78,979)
Cash and cash equivalents beginning of period	(4,193)	37,666	33,902	108,771
(Bank Indebtedness) Cash and cash equivalents end of period	\$ (5,264)	\$ 29,792	\$ (5,264)	\$ 29,792

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three month and Nine month periods ended January 31, 2023
(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 Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and under using the same accounting policies as described in the Company’s consolidated financial statements for the year ended April 30, 2022.

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, 2022 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2023.

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.

Share Based Compensation

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share based transactions are set out in note 12.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period of the option based on the Company's estimate of the number of equity instruments that will eventually vest. At each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in earnings such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share based payment reserve.

Cash settled share based earnings to employees, including cashed based restricted share units, or others providing similar services are measured at the fair value of the instruments at the grant date. The fair value is recognized as an expense with a corresponding increase in liabilities over the vesting period of the option grant. At each reporting period, the Company revises its estimate of fair value and the number of instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in earnings such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to liabilities.

Financial Instruments

The Company's financial assets and liabilities which are initially recorded at fair value and subsequently measured based on their assigned classifications as follows:

<u>Assets/Liabilities</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Investments	Fair value through other comprehensive income
Trade and other payables, excluding RSUs	Amortized cost
Cash based RSU liability	Fair value through profit and loss
Redemption Liability	Amortized cost

Financial Assets

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value. Transaction costs in respect of financial instruments that are classified as fair value through profit or loss are recognized in earnings immediately. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument.

Financial assets are classified into the following specific categories: financial assets "at fair value through profit or loss" ("FVTPL"), "fair value through other comprehensive income ("FVTOCI")" and "amortized cost". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in earnings. Financial assets at FVTOCI are stated at fair value, with any gains or losses arising on re-measurement

Note #2 continued ...

recognized in other comprehensive earnings. The company has irrevocably classified investments in companies over which the Company does not have control or significant influence as FVTOCI with no reclassification to net income because the investments are not held with the intent of short-term trading. The fair value of the investments in publicly traded companies is determined and based on publicly quoted prices; and investments in private companies is determined using implied valuations from follow-on financing rounds, third-party sale negotiations, or market-based approaches.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in earnings. The net gain or loss recognized in earnings incorporates any interest paid on the financial liability and is included in the “other income and expenses” line item in the consolidated statements of earnings.

3. TRADE AND OTHER RECEIVABLES

	January 31, 2023		April 30, 2022	
Trade receivables	\$	94,266	\$	96,966
Other receivables		2,012		3,054
	\$	96,278	\$	100,020

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.

	January 31, 2023		April 30, 2022	
Finished goods	\$	59,476	\$	53,970
Raw material and supplies		107,044		83,058
Work in progress		40,388		40,240
	\$	206,908	\$	177,268

5. PROPERTY, PLANT AND EQUIPMENT

	January 31, 2023			April 30, 2022		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Office furniture and equipment	\$ 5,389	\$ 3,882	\$ 1,507	\$ 4,593	\$ 3,068	\$ 1,525
Research and development equipment	38,566	30,623	7,943	40,316	30,544	9,772
Airplanes	11,599	10,129	1,470	11,599	9,720	1,879
Machinery and equipment	71,575	58,142	13,433	69,153	55,936	13,217
Leaseholds	9,431	6,942	2,489	9,195	6,527	2,668
Land	2,181	-	2,181	2,055	-	2,055
Buildings	10,520	3,526	6,994	9,916	3,155	6,761
	\$ 149,261	\$ 113,244	\$ 36,017	\$ 146,827	\$ 108,950	\$ 37,877

6. PROVISIONS

	Warranty and Returns	Lease/Retirement Obligations	Total
Balance as at April 30, 2022	\$ 6,856	\$ 523	\$ 7,379
Net (reductions) additions	(1,767)	31	(1,736)
Foreign exchange differences	57	13	70
Balance as at January 31, 2023	\$ 5,146	\$ 567	\$ 5,713

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.

Lease/Retirement Obligations

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

7. BANK INDEBTEDNESS AND DEBT

Credit Facilities

The Company has the following credit facilities available:

1. Credit facility of \$75 million and a treasury risk management facility up to \$10 million available, bearing interest at prime, subject to certain covenants and secured by all Canadian based assets. As at January 31, 2023 and at April 30, 2022, the Company was in compliance with covenants. Advances under these facilities bear interest at prime. There were borrowings against the facilities as at January 31, 2023 of \$23,364 (April 30, 2022 – nil). The borrowings are included within bank indebtedness.
2. Credit facility available of \$1,146 bearing interest at WIBOR plus 1.4% per annum. There were no borrowings outstanding under this facility as at January 31, 2023 (April 30, 2022 – nil).

8. 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, 2022	76,229,696	\$ 143,502
Cancelled pursuant to NCIB	(51,030)	(96)
Balance as at January 31, 2023	76,178,666	\$ 143,406

Dividends Per Share

During the quarter, \$0.19 in dividends per share were declared (2022 - \$0.18).

Normal Course Issuer Bid

In October 2021, the Company renewed their Normal Course Issuer Bid (“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 nine month period, the Company purchased and canceled shares of 33,494 at a weighted average price of \$12.01 (2022 - 54,670 shares at a weighted average price of \$12.64). The Company did not purchase and cancel any shares during the three month

Note #8 continued ...

period (2022 - 54,670 shares at a weighted average price of \$12.64).

In November 2022, the Company entered into a new NCIB with the TSX to repurchase, at the Company's discretion, until November 2023 up to 3,809,810 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. During the nine and three month period, the Company purchased and cancelled shares of 17,536 at a weighted average price of \$12.40 (2022 – nil).

9. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Selling and administrative	\$ 16,342	\$ 16,015	\$ 43,997	\$ 44,745
Depreciation - selling and administration	848	863	2,456	2,633
General:				
Share based compensation (note 12)	231	110	433	659
Amortization of intangibles	309	304	925	904
	\$ 17,730	\$ 17,292	\$ 47,811	\$ 48,941

10. RESEARCH AND DEVELOPMENT

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Research and development	\$ 29,073	\$ 24,619	\$ 83,672	\$ 71,034
Depreciation - research and development	1,152	1,370	3,588	4,076
General:				
Share based compensation (note 12)	1,416	580	3,006	2,999
	\$ 31,641	\$ 26,569	\$ 90,266	\$ 78,109

11. STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Trade and other receivables	\$ 6,565	\$ (20,031)	\$ 5,829	\$ (26,753)
Contract assets	(3,495)	1,104	(9,523)	(3,953)
Inventories	(6,270)	(11,465)	(28,843)	(23,060)
Prepaid expenses	(2,604)	1,253	(3,922)	689
Trade and other payables	(2,359)	9,932	5,625	17,410
Deferred revenue	7,561	(1,624)	(956)	8,464
Provisions	(266)	5	(1,666)	92
	\$ (868)	\$ (20,826)	\$ (33,456)	\$ (27,111)

12. 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.

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

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2022	5,055,500	\$ 13.43
Forfeited	(156,500)	12.77
Expired	(32,500)	17.28
Balance as at January 31, 2023	4,866,500	\$ 13.43

Stock options outstanding as at January 31, 2023 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	3,621,500	2.5	-	\$ -
14.07-15.80	\$ 15.37	500,000	1.3	320,000	\$ 15.70
16.08-16.20	\$ 16.17	220,000	1.9	36,000	\$ 16.08
17.24-17.98	\$ 17.87	525,000	1.7	331,000	\$ 17.85
Totals	\$ 13.43	4,866,500	2.3	687,000	\$ 16.76

Restricted Share Unit Plan (2016 Plan)

The Company established, in March 2016, a restricted share unit plan (RSU-2016) 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 issued under the 2016 plan 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 under the 2016 plan are as follows:

	Number of RSUs (2016 Plan)
Balance as at April 30, 2022	443,000
Exercised	(182,500)
Forfeited	(4,500)
Balance as at January 31, 2023	256,000

As at January 31, 2023, the average remaining contractual life for outstanding RSUs under the 2016 Plan is 0.4 years (2022 – 0.7 years).

Note #12 continued ...

Compensation expense

Restricted Share Unit Plan (2022 Plan)

The Company established, in June 2022, a new restricted share unit plan (RSU-2022). The purpose of the plan is 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, the Company will redeem RSUs granted to a participant under the 2022 Plan through the issuance of one Common Share of the Company for each fully vested RSU. The Board of Directors administers the equity based restricted share unit plan and will determine the terms of any

restricted share units granted. Restricted share units currently granted normally fully vest and expire by the end of the fifth year.

A number of restricted share units equal to 10% of the Company's outstanding common shares are to be reserved for issuance under the equity based restricted share unit plan, less the aggregate number of stock options granted under the Stock Option Plan described above.

The changes in the number of outstanding RSUs under the 2022 Plan are as follows:

	Number of RSUs (2022 Plan)
Balance as at April 30, 2022	0
Granted	1,108,250
Forfeiture	(10,500)
Balance as at January 31, 2023	1,097,750

Compensation expense

Stock Option Plan

The share based compensation expense that has been charged against earnings over the nine month and three month period is \$981 (2022 - \$1,217) and \$329 (2022 - \$351). Compensation expense on grants during the year was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

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 22% (2022 - 17%).

Restricted Share Unit Plan (2016 Plan)

The share based compensation expense that has been charged against earnings over the nine month and three month periods are \$853 and \$558 respectively (2022 - \$2,440 and \$338 respectively). Share based compensation expense was calculated using a weighted average forfeiture rate of 7% (2022 - 9%). As at January 31, 2023, the total liability included within trade and other payables is \$3,756 (2022 - \$9,929).

Restricted Share Unit Plan (2022 Plan)

The share base compensation expense that has been charged against earnings over the nine month and three month period is \$1,605 and \$760 (2022 - nil). Compensation expense on grants during the year was calculated using the fair value of the Company's share price at the grant date. Share based compensation expense was calculated used a weighted average forfeiture rate of 11%.

13. 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.

Note #13 continued ...

Revenue	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2023	2022	2023	2022
United States	\$ 58,275	\$ 72,419	\$ 215,995	\$ 204,200
International	39,640	41,201	87,469	103,415
Canada	12,958	6,943	22,195	17,312
	\$ 110,873	\$ 120,563	\$ 325,659	\$ 324,927

January 31, 2023					
	Property, Plant and Equipment	Goodwill	Intangible Assets	Right-of-Use Assets	Investment in an Associate
United States	\$ 4,241	\$ 1,368	\$ 516	\$ 360	\$ 3,277
International	9,463	18,230	1,902	3,608	-
Canada	22,313	1,583	-	17,437	-
	\$ 36,017	\$ 21,181	\$ 2,418	\$ 21,405	\$ 3,277

April 30, 2022					
	Property, Plant and Equipment	Goodwill	Intangible Assets	Right-of-Use Assets	Investment in an Associate
United States	\$ 4,388	\$ 1,286	\$ 896	\$ 718	\$ 5,474
International	9,577	18,164	2,421	3,770	-
Canada	23,912	1,583	-	20,149	-
	\$ 37,877	\$ 21,033	\$ 3,317	\$ 24,637	\$ 5,474

14. REVENUE

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Hardware, including related software	\$ 89,647	\$ 99,625	\$ 251,524	\$ 252,232
Services, including warranty, training and commissioning	10,074	9,100	37,286	29,344
Long term contract revenue	11,152	11,838	36,849	43,351
	\$ 110,873	\$ 120,563	\$ 325,659	\$ 324,927

15. 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 \$6757 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$787 (2022 - \$787) and \$262 (2022 - \$262) with no outstanding amounts due as at January 31, 2023.

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 \$1,138 committed over the remaining term. During the nine month

Note #15 continued ...

and three month periods, rent paid for the leased principal premises amounted to \$218 (2022 – \$208) and \$74 (2022 - \$72) with no outstanding amounts due as at January 31, 2023.

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 \$5,362 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$654 (2022 – \$650) and \$217 (2022 - \$217) with no outstanding amounts due as at January 31, 2023.

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 \$3,501 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$394 (2022 – \$394) and \$131 (2022 - \$131) with no outstanding amounts due as at January 31, 2023.

The Company also leases a property where two shareholders indirectly own 100% interest. The lease expires in 2023 with a total of \$127 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$114 (2022 – \$114) and \$38 (2022 - \$38) with no outstanding amounts due as at January 31, 2023.

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 \$3,399 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$758 (2022 – \$747) and \$253 (2022 - \$249) with no outstanding amounts due as at January 31, 2023.

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 \$977 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$203 (2022 – \$198) and \$68 (2022 - \$66) with no outstanding amounts due as at January 31, 2023.

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

16. EARNINGS PER SHARE

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Weighted average common shares outstanding	76,188,752	76,265,741	76,212,096	76,278,158
Dilutive effect of stock options	-	82,132	93,437	259,456
Diluted weighted average common shares outstanding	76,188,752	76,347,873	76,305,533	76,537,614

The weighted average number of diluted common shares excludes 1,245,000 options because they were anti-dilutive during the period (2022 – 1,421,000).

17. 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.

Note #17 continued ...

During the nine month and three month periods, \$2,087 and \$675 in losses were recorded in recognition of the Company's share of DDSports Inc. losses during fiscal 2023 (2022 - \$1,024 and \$426 respectively). As at January 31, 2023, DDSports Inc. had \$3,473 in working capital and \$4,121 in net assets. (April 30, 2022 - \$6,068 in working capital and \$9,603 in net assets)

18. SUBSEQUENT EVENT

On March 2, 2023, the Company declared a quarterly dividend of \$0.19 with a record date of March 16, 2023 and a payment date of March 23, 2023.