

EVERTZ TECHNOLOGIES LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended April 30, 2015

The following management's discussion and analysis is a review of results of the operations and the liquidity and capital resources of the Company. It should be read in conjunction with the selected consolidated financial information and other data and the Company's consolidated financial statements and the accompanying notes contained on SEDAR. The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars. The fiscal year of the Company ends on April 30 of each year. Certain information contained herein is forward-looking and based upon assumptions and anticipated results that are subject to risks, uncertainties and other factors. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected.

FORWARD-LOOKING STATEMENTS

The report contains forward-looking statements reflecting Evertz's objectives, estimates and expectations. Such forward-looking statements use words such as "may", "will", "expect", "believe", "anticipate", "plan", "intend", "project", "continue" and other similar terminology of a forward-looking nature or negatives of those terms.

Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks, uncertainties and other factors. Accordingly, there are or will be a number of significant factors which could cause the Company's actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The report is based on information available to management on June 5, 2015.

OVERVIEW

Evertz is a leading equipment provider to the television broadcast telecommunications and new-media industries. Founded in 1966, Evertz is a leading equipment provider to the television broadcast industry. Evertz designs, manufactures and markets video and audio infrastructure equipment for the production, post-production and transmission of television content. The Company's solutions are purchased by content creators, broadcasters, specialty channels and television service providers to support their increasingly complex multi-channel digital and high definition television ("HDTV") and next generation high bandwidth low latency IP network environments and by telecommunications and new-media companies. The Company's products allow its customers to generate additional revenue while reducing costs through the more efficient signal routing, distribution, monitoring and management of content as well as the automation of previously manual processes.

The Company's growth strategy is based on capitalizing on its strong customer position and innovative integrated product line. The Company's financial objectives are to achieve profitable growth with our existing customers and with new customers who were converting to HDTV, building out IPTV infrastructures, or in need of advanced video solutions.

Our plan is to bring to market the new technologies that we have invested heavily in for the past several years. These technologically superior solutions help to enable our broadcast, cable, telco, satellite,

content creator and new media customers to address and implement their video infrastructure requirements.

Our broadcast customers continue to operate in a challenging economic environment which impacts their ability to incur capital expenditures and often results in projects being scaled back or postponed to later periods.

While it does appear that industry conditions are showing some improvement in certain geographical areas, it is unclear what the time frame will be for our customers to convert this to equipment purchases.

SIGNIFICANT ACCOUNTING POLICIES

Outlined below are those policies considered particularly significant:

Basis of Measurement

The 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

The financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

Basis of Consolidation

The 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.

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

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in earnings as incurred. Any contingent consideration is measured at fair value on date of the acquisition and is included as part of the consideration transferred. The fair value of the contingent consideration liability is re-measured at each reporting date with corresponding gain/loss recognized in earnings. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill.

On an acquisition by acquisition basis, any non-controlling interest is measured either at the fair value of the non-controlling interest or at the fair value of the proportionate share of the net identifiable assets acquired. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable, net of discounts and after eliminating intercompany sales.

Where revenue arrangements have separately identifiable components, the consideration received or receivable is allocated to each identifiable component and the applicable revenue recognition criteria are applied to each of the components.

Revenue is derived from the sale of hardware and software solutions including related services, training and commissioning. Revenue from sales of hardware and software are recognized upon shipment, provided that the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, revenue can be reliably measured and its probable that the economic benefits will flow to the Company. Service revenue is recognized as services are performed.

Certain of the Company's contracts are long-term in nature. When the outcome of the contract can be assessed reliably, the Company recognizes revenue on long-term contracts using the percentage of completion method, based on costs incurred relative to the estimated total contract costs. When the outcome of the contract cannot be assessed reliably contract costs incurred are immediately expensed and revenue is recognized only to the extent that costs are considered likely to be recovered.

Finance Income

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in the bank, net of outstanding bank overdrafts.

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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment loss. Where the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is calculated based on depreciable amounts which is the cost of an asset less residual value and is recognized in earnings on a straight-line basis over the estimated useful life of the related asset. Borrowing costs are capitalized to the cost of qualifying assets that take a substantial period of time to be ready for their intended use.

The estimated useful lives are as follows:

Asset	Basis	Rate
Office furniture and equipment	Straight-line	10 years
Research and development equipment	Straight-line	5 years
Machinery and equipment	Straight-line	5 - 15 years
Leaseholds	Straight-line	5 years
Building	Straight-line	10 - 40 years
Airplanes	Straight-line	10 - 20 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in earnings.

The Company reviews the residual value, estimated useful life and the depreciation method annually.

Impairment of Non-Financial Assets

Goodwill is tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may be more than its recoverable amount. At each reporting period, the Company reviews the carrying amounts of its other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are largely independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Goodwill is allocated to a group of CGU’s based on the level at which it is monitored for internal reporting purposes.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss relating to a CGU to which goodwill has been allocated, is allocated to the carrying amount of the goodwill first. An impairment loss is recognized immediately in earnings.

An impairment loss in respect of goodwill is not reversed. Where an impairment loss subsequently reverses for other non-financial assets, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in earnings.

Intangible Assets

Intangible Assets

Intangible assets represent intellectual property acquired through business acquisitions and are recorded at cost less any impairment loss and are amortized using the straight-line method over a four-year period. The estimated useful life and amortization method are reviewed at the end of each reporting period.

Research and Development

All research and development expenditures are expensed as incurred unless a development project meets the criteria for capitalization. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No internally generated intangible assets have been recognized to date.

Research and development expenditures are recorded gross of investment tax credits and related government grants. Investment tax credits for scientific research and experimental development are recognized in the period the qualifying expenditures are incurred if there is reasonable assurance that they will be realized.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Rentals payable under operating leases are charged to earnings on a straight-line basis over the term of the relevant lease.

Foreign Currency Translation

The individual financial statements of each subsidiary entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are presented in Canadian dollars (“CDN”), which is the functional currency of the parent Company and the presentation currency for the financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized in earnings in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company’s foreign operations are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Foreign currency gains and losses are recognized in other comprehensive earnings. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition or partial disposition of a foreign operation and attributed to non-controlling interests as appropriate.

Income Taxes

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net earnings as reported in the statement of earnings because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on unused tax losses and credits, as well as differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which unused tax losses, credits and other deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to other comprehensive earnings or equity, in which case the deferred tax is also dealt with in other comprehensive earnings or equity.

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 14 of the Consolidated Financial Statements.

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.

Earnings Per Share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net earnings attributable to shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, which is comprised of share options granted to employees with an exercise price below the average market price.

Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other finance costs are recognized in earnings in the period in which they are incurred.

Investment Tax Credits

The Company is entitled to investment tax credits, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits relate entirely to the Company's research and development expenses in the consolidated statement of earnings but are presented separately in the consolidated statement of earnings for information purposes. Investment tax credits are recognized and recorded within income tax receivable when there is reasonable assurance they will be received.

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>Asset/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Long term debt	Other liabilities	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"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". 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.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment of a financial asset can include a significant or prolonged decline in the fair value of an asset, default or delinquency by a debtor, indication that a debtor will enter bankruptcy or financial re-organization or the disappearance of an active market for a security.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in earnings.

Financial Liabilities and Equity Instruments Issued by the Company

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.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities, including long term debt, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Consequently, actual results could differ from those estimates. Those estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include the determination of the allowance for doubtful accounts for trade receivables, provision for inventory obsolescence, the useful life of property, plant and equipment for depreciation, amortization and valuation of net recoverable amount of property, plant and equipment, determination of fair value for share-based compensation, evaluating deferred income tax assets and liabilities, the determination of fair value of financial instruments and the likelihood of recoverability, and the determination of implied fair value of goodwill and implied fair value of assets and liabilities for purchase price allocation purposes and goodwill impairment test purposes.

Significant items requiring the use of judgment in application of accounting policies and assumptions include the determination of functional currencies, classification of financial instruments, classification of leases, application of the percentage of completion method on long-term contracts, degree of componentization applied when calculating amortization of property, plant and equipment, and identification of cash generating units for impairment testing purposes.

Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. 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 revenue from the sale of hardware and software solutions including related services, training and commissioning.

Changes in Accounting Policies

Financial Instruments

Effective May 1, 2014, the Company adopted amendments to IAS 32, *Financial Instruments: Presentations* (“IAS 32”), which clarified certain aspects of the requirements to offset. 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 adoption of the amendments did not have a material impact on the Consolidated Financial Statements.

Levies

Effective May 1, 2014, the Company adopted IFRIC 21, *Levies* (“IFRIC 21”) which provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. IFRIC 21 did not have a material impact on the 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. The Company has not yet determined the impact of the adoption of the following standards.

Financial Instruments

IFRS 9, *Financial instruments* (“IFRS 9”) was issued by the IASB in July 2014 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, 2018.

Revenue

IFRS 15, *Revenue from contracts with customers* (“IFRS 15”) was issued by the IASB in May 2014 and will replace IAS 11, *Construction Contracts* and IAS 18 *Revenue*. IFRS 15 specifies how and when revenue will be recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

YEAR END HIGHLIGHTS

Revenue increased to \$363.6 million for the year ended April 30, 2015 as compared to \$325.5 million for the year ended April 30, 2014.

For the year ended April 30, 2015, net earnings were \$66.4 million as compared to \$63.5 million for the year ended April 30, 2014 and fully diluted earnings per share were \$0.87 as compared to \$0.85 for the year ended April 30, 2014.

Gross margin during the year ended April 30, 2015 was 56.7% as compared to 57.2% for the year ended April 30, 2014.

Selling and administrative expenses for the year ended April 30, 2015 was \$58.8 million compared to the year ended April 30, 2014 of \$55.2 million. As a percentage of revenue, selling and administrative expenses totaled 16.2% for the year ended April 30, 2015 as opposed to 16.9% for the year ended April 30, 2014.

Research and development (“R&D”) expenses were \$64.3 million for the year ended April 30, 2015 as compared to \$60.2 million for the year ended April 30, 2014.

Cash and cash equivalents were \$100.7 million and working capital was \$294.9 million as at April 30, 2015 as compared to cash and cash equivalents of \$102.0 million and working capital of \$273.9 million as at April 30, 2014.

Selected Consolidated Financial Information

(in thousands of dollars except earnings per share and share data)

	Year Ended		
	April 30,		
	2015	2014	2013
Revenue	\$ 363,606	\$ 325,524	\$ 316,305
Cost of goods sold	157,475	139,338	134,439
Gross margin	206,131	186,186	181,866
Expenses			
Selling and administrative	58,833	55,162	53,106
General	6,136	6,874	5,366
Research and development	64,332	60,196	52,851
Investment tax credits	(10,263)	(12,292)	(13,178)
Foreign exchange gain	(1,411)	(6,917)	(3,037)
	117,627	103,023	95,108
Earnings before undernoted	88,504	83,163	86,758
Finance income	830	2,001	2,383
Finance costs	(240)	(398)	(559)
Other income and expenses	325	38	264
Earnings before income taxes	89,419	84,804	88,846
Provision for (recovery of) income taxes			
Current	25,154	24,529	21,816
Deferred	(2,145)	(3,264)	1,867
	23,009	21,265	23,683
Net earnings for the year	\$ 66,410	\$ 63,539	\$ 65,163
Net earnings attributable to non-controlling interest	\$ 910	\$ 404	\$ 573
Net earnings attributable to shareholders	65,500	63,135	64,590
Net earnings for the year	\$ 66,410	\$ 63,539	\$ 65,163
Earnings per share			
Basic	\$ 0.88	\$ 0.85	\$ 0.88
Diluted	\$ 0.87	\$ 0.85	\$ 0.88

Consolidated Balance Sheet Data

	As at		
	April 30,		
	2015	2014	2013
Cash and cash equivalents	\$ 100,681	\$ 101,956	\$ 220,668
Inventory	\$ 154,259	\$ 134,561	\$ 111,619
Working capital	\$ 294,895	\$ 273,914	\$ 352,164
Total assets	\$ 426,162	\$ 401,280	\$ 465,307
Shareholders' equity	\$ 353,471	\$ 333,478	\$ 406,797
Number of common shares outstanding:			
Basic	74,459,346	74,310,146	73,632,566
Fully-diluted	79,195,846	79,513,846	78,246,966
Weighted average number of shares outstanding:			
Basic	74,399,096	74,064,205	73,300,647
Fully-diluted	75,033,398	74,485,461	73,816,338

Consolidated Statement of Operations Data

	2015	2014	2013
Revenue	100.0%	100.0%	100.0%
Cost of goods sold	43.3%	42.8%	42.5%
Gross margin	56.7%	57.2%	57.5%
Expenses			
Selling and administrative	16.2%	16.9%	16.8%
General	1.6%	2.1%	1.6%
Research and development	17.7%	18.5%	16.7%
Investment tax credits	(2.8%)	(3.8%)	(4.2%)
Foreign exchange gain	(0.4%)	(2.1%)	(1.0%)
	32.3%	31.6%	30.1%
Earnings before undernoted	24.4%	25.6%	27.4%
Finance income	0.2%	0.6%	0.8%
Finance costs	(0.1%)	(0.1%)	(0.2%)
Other income and expenses	0.1%	0.0%	0.1%
Earnings before income taxes	24.6%	26.1%	28.1%
Provision for (recovery of) income taxes			
Current	6.9%	7.6%	6.9%
Deferred	(0.6%)	(1.0%)	0.6%
	6.3%	6.6%	7.5%
Net earnings for the year	18.3%	19.5%	20.6%
Net earnings attributable to non-controlling interest	0.3%	0.1%	0.2%
Net earnings attributable to shareholders	18.0%	19.4%	20.4%
Net earnings for the year	18.3%	19.5%	20.6%
Earnings per share:			
Basic	\$ 0.88	\$ 0.85	\$ 0.88
Diluted	\$ 0.87	\$ 0.85	\$ 0.88

REVENUE AND EXPENSES**Revenue**

The Company generates revenue principally from the sale of its broadcast equipment solutions to content creators, broadcasters, specialty channels and television service providers.

The Company markets and sells its products and services through both direct and indirect sales strategies. The Company's direct sales efforts focus on large and complex end-user customers. These customers have long sales cycles typically ranging from four to eight months before an order may be received by the Company for fulfillment.

The Company monitors revenue performance in two main geographic regions: (i) United States/Canada and (ii) International.

The Company currently generates approximately 50% to 60% of its revenue in the United States/Canada. The Company recognizes the opportunity to more aggressively target markets in other geographic regions and intends to invest in personnel and infrastructure in those markets.

While a significant portion of the Company's expenses are denominated in Canadian dollars, the Company collects substantially all of its revenues in currencies other than the Canadian dollar and therefore has significant exposure to fluctuations in foreign currencies, in particular the US dollar. Approximately 65% to 75% of the Company's revenues are denominated in US dollars.

Revenue

(In thousands of Canadian dollars)		Year Ended April 30,		
		2015	2014	2013
United States/Canada	\$	204,453	\$ 172,280	\$ 173,244
International		159,153	153,244	143,061
	\$	363,606	\$ 325,524	\$ 316,305

Total revenue for the year ended April 30, 2015 was \$363.6 million, an increase of \$38.1 million or 12%, as compared to revenue of \$325.5 million for the year ended April 30, 2014.

Revenue in the United States/Canada region was \$204.5 million for the year ended April 30, 2015, an increase of \$32.2 million or 19% as compared to revenue of \$172.3 million for the year ended April 30, 2014.

Revenue in the International region was \$159.2 million for the year ended April 30, 2015, an increase of \$5.9 million, as compared to revenue of \$153.2 million for the year ended April 30, 2014.

Cost of Sales

Cost of sales consists primarily of costs of manufacturing and assembly of products. A substantial portion of these costs is represented by components and compensation costs for the manufacture and assembly of products. Cost of sales also includes related overhead, certain depreciation, final assembly, quality assurance, inventory management and support costs. Cost of sales also includes the costs of providing services to clients, primarily the cost of service-related personnel.

Gross Margin

(In thousands of Canadian dollars, except for percentages)		Year Ended April 30,		
		2015	2014	2013
Gross margin	\$	206,131	\$ 186,186	\$ 181,866
Gross margin % of sales		56.7%	57.2%	57.5%

Gross margin for the year ended April 30, 2015 was \$206.1 million, compared to \$186.2 million for the year ended April 30, 2014. As a percentage of revenue, the gross margin was 56.7% for the year ended April 30, 2015, as compared to 57.2% for the year ended April 30, 2014.

Gross margins vary depending on the product mix, geographic distribution and competitive pricing pressures and currency fluctuations. For the year ended April 30, 2015 the gross margin, as a percentage of revenue, was in the Company's projected range. The pricing environment continues to be very competitive with substantial discounting by our competition.

The Company expects that it will continue to experience competitive pricing pressures. The Company continually seeks to build its products more efficiently and enhance the value of its product and service offerings in order to reduce the risk of declining gross margin associated with the competitive environment.

Operating Expenses

The Company's operating expenses consist of: (i) selling, administrative and general; (ii) research and development and (iii) foreign exchange.

Selling expenses primarily relate to remuneration of sales and technical personnel. Other significant cost components include trade show costs, advertising and promotional activities, demonstration material and sales support. Selling and administrative expenses relate primarily to remuneration costs of related personnel, legal and professional fees, occupancy and other corporate and overhead costs. The Company also records certain depreciation amortization and share based compensation charges as general expenses. For the most part, selling, administrative and general expenses are fixed in nature and do not fluctuate directly with revenue. The Company's selling expenses tend to fluctuate in regards to the timing of trade shows, sales activity and sales personnel.

The Company invests in research and development to maintain its position in the markets it currently serves and to enhance its product portfolio with new functionality and efficiencies. Although the Company's research and development expenditures do not fluctuate directly with revenues, it monitors this spending in relation to revenues and adjusts expenditures when appropriate. Research and development expenditures consist primarily of personnel costs and material costs. Research and development expenses are presented on a gross basis (without deduction of research and development tax credits). Research and development tax credits associated with research and development expenditures are shown separately under research and development tax credits.

Selling and Administrative

(In thousands of Canadian dollars, except for percentages)	Year Ended		
	April 30,		
	2015	2014	2013
Selling and administrative	\$ 58,833	\$ 55,162	\$ 53,106
Selling and administrative % of sales	16.2%	16.9%	16.8%

Selling and administrative expenses excludes stock based compensation, operation of non-production property, plant and equipment, and amortization of intangibles. Selling and administrative expenses for the year ended April 30, 2015 were \$58.8 million or 16.2% of revenue, as compared to selling and administrative expenses of \$55.2 million or 16.9% of revenue for the year ended April 30, 2014.

The increase of \$3.6 million was a result of additional selling expenses in the International region, and the increased translation costs of the US dollar and UK Sterling.

Research and Development (R&D)

(In thousands of Canadian dollars, except for percentages)		Year Ended		
		April 30,		
		2015	2014	2013
Research and development expenses	\$	64,332	\$ 60,196	\$ 52,851
Research and development % of sales		17.7%	18.5%	16.7%

For the year ended April 30, 2015, gross R&D expenses increased to \$64.3 million, an increase of 7.0% or \$4.1 million as compared to an expense of \$60.2 million for the year ended April 30, 2014.

The increase of \$4.1 million was a result of planned growth of R&D personnel as well as increased translation costs associated with the UK Sterling denominated expenses.

Foreign Exchange

For the year ended April 30, 2015, the foreign exchange gain was \$1.4 million, as compared to a foreign exchange gain for the year ended April 30, 2014 of \$6.9 million. The current year gain was predominantly driven by the increase in the value of the US dollar against the Canadian dollar since April 30, 2014.

Finance Income, Finance Costs, Other Income and Expenses

For the year ended April 30, 2015, finance income and expenses netted to a gain of \$0.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources		Year Ended	
		April 30,	
(in thousands of dollars except ratios)		2015	2014
Key Balance Sheet Amounts and Ratios:			
Cash and cash equivalents	\$	100,681	\$ 101,956
Working capital	\$	294,895	\$ 273,914
Long-term assets	\$	67,393	\$ 70,343
Long-term debt	\$	996	\$ 1,372
Days sales outstanding in accounts receivable		96	99

Statement of Cash Flow Summary		Year Ended	
		April 30,	
		2015	2014
Operating activities	\$	54,357	\$ 35,485
Investing activities	\$	(8,148)	\$ 1,528
Financing activities	\$	(49,522)	\$ (144,241)
Net decrease in cash	\$	(1,275)	\$ (106,702)

Operating Activities

For the year ended April 30, 2015, the Company generated cash for operations of \$54.4 million, compared to \$35.5 million generated for the year ended April 30, 2014. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$78.7 million for the year ended April 30, 2015 compared to \$74.2 million for the year ended April 30, 2014.

Investing Activities

The Company used cash for investing activities of \$8.1 million for the year ended April 30, 2015 which was predominantly from for the acquisition of capital assets of \$8.3 million.

Financing Activities

For the year ended April 30, 2015, the Company used cash from financing activities of \$49.5 million, which was principally driven by dividends paid of \$51.1 million.

WORKING CAPITAL

As at April 30, 2015, the Company had cash and cash equivalents of \$100.7 million, compared to \$102.0 million at April 30, 2014.

The Company had working capital of \$294.9 million as at April 30, 2015 compared to \$273.9 million as at April 30, 2014.

The Company believes that the current balance in cash and plus future cash flow from operations will be sufficient to finance growth and related investment and financing activities in the foreseeable future.

Day sales outstanding in accounts receivable were 96 days at April 30, 2015 as compared to 99 for April 30, 2014.

SHARE CAPITAL STRUCTURE

Authorized capital stock consists of an unlimited number of common and preferred shares.

	Year Ended	
	April 30,	
	2015	2014
Common shares	74,459,346	74,310,146
Stock options granted and outstanding	4,736,500	5,203,700

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and long term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company estimates the fair value of these instruments approximates the carrying values as listed below.

Fair Values and Classification of Financial Instruments:

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments:

- I. Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- II. Inputs other than quoted prices included in level I that are observable for the asset or liability, either directly or indirectly. Cash and cash equivalents, trade and other receivables, trade and other payables, and long-term debt fair value measurements have been measured within level II.
- III. Inputs for the asset or liability that are not based on observable market data.

CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as at April 30, 2015:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Operating leases	\$ 15,021	\$ 3,899	\$ 6,978	\$ 3,181	\$ 963
Other long-term debt	1,250	254	330	342	324
	\$ 16,271	\$ 4,153	\$ 7,308	\$ 3,523	\$ 1,287

OFF-BALANCE SHEET FINANCING

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

In the normal course of business, we may enter into transactions with related parties. These transactions occur under market terms consistent with the terms of transactions with unrelated arms-length third parties. The Company continues to lease a premise from a company in which two shareholders' each indirectly hold a 10% interest, continues to lease a facility from a company in which two shareholders each indirectly hold a 20% interest, continues to lease a facility for manufacturing where two shareholders indirectly own 100% interest, continues to lease a facility from a company in which two shareholders each indirectly own a 35% interest and continues to lease a facility with a director who indirectly owns 100%.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for each of the eight quarters ended April 30, 2015. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements. The operating results for any quarter should not be relied upon as any indication of results for any future period.

(In thousands) (Unaudited)	Quarter Ending							
	2015		2014				2013	
	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31
Revenue	\$ 91,977	\$ 90,726	\$ 82,889	\$ 98,014	\$ 87,237	\$ 93,185	\$ 81,244	\$ 63,858
Cost of goods sold	39,249	39,709	36,324	42,193	38,154	39,448	34,592	27,144
Gross margin	\$ 52,728	\$ 51,017	\$ 46,565	\$ 55,821	\$ 49,083	\$ 53,737	\$ 46,652	\$ 36,714
Operating expenses	38,145	23,139	27,037	29,306	30,545	25,514	25,797	21,167
Earnings from operations	\$ 14,583	\$ 27,878	\$ 19,528	\$ 26,515	\$ 18,538	\$ 28,223	\$ 20,855	\$ 15,547
Non-operating income	323	314	12	266	234	482	399	526
Earnings before taxes	\$ 14,906	\$ 28,192	\$ 19,540	\$ 26,781	\$ 18,772	\$ 28,705	\$ 21,254	\$ 16,073
Net earnings	\$ 10,926	\$ 21,014	\$ 14,149	\$ 19,411	\$ 14,699	\$ 21,281	\$ 15,422	\$ 11,733
Net earnings per share:								
Basic	\$ 0.15	\$ 0.28	\$ 0.19	\$ 0.26	\$ 0.20	\$ 0.29	\$ 0.21	\$ 0.16
Diluted	\$ 0.15	\$ 0.28	\$ 0.19	\$ 0.26	\$ 0.20	\$ 0.29	\$ 0.21	\$ 0.16
Dividends per share:	\$ 0.18	\$ 0.18	\$ 0.16	\$ 0.16	\$ 0.16	\$ 1.56	\$ 0.16	\$ 0.16

The Companies revenue and corresponding earnings can vary from quarter to quarter depending on the delivery requirements of our customers. Our customers can be influenced by a variety of factors including upcoming sports or entertainment events as well as their access to capital. Net earnings represent net earnings attributable to shareholders.

DISCLOSURE CONTROLS AND PROCEDURES

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators) as of April 30, 2015.

Management has concluded that, as of April 30, 2015, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company, particularly during the period in which this report was being prepared.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for and has designed internal controls over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has concluded that, as of April 30, 2015, the Company's internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes to the Company's internal controls over financial reporting during the period ended April 30, 2015 that have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

On May 15, 2013 the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") released *Internal Control-Integrated Framework: 2013*, which is an update to the internal control framework previously issued in 1992. Management is currently operating under the 1992 Framework and is transitioning to the updated Framework. While no significant changes to the Company's internal control system are expected to result from the transition, any modifications to such expectation will be reported by the Company within the following MD&A.

HIGHLIGHTS FROM THE FOURTH QUARTER

Revenue increased by \$4.7 million or 5% for the three months ended April 30, 2015 when compared to the same period ended April 30, 2014. Revenue increased in the United States/Canada region by 16%. Revenue decreased in the International region by 5%.

Fully diluted EPS was \$0.15 for the three months ended April 30, 2015 as compared to \$0.20 for the period ended April 30, 2014.

Foreign exchange loss during the quarter was \$6.7 million, predominately driven by the decrease in value of the US dollar against the Canadian dollar since January 31, 2015.

Selling and administrative expenses increased by \$0.6 million for the three months ended April 30, 2015 when compared to the same period ended April 30, 2014. Selling and administrative expenses were approximately 16.9% of revenue for the three months ended April 30, 2015 as compared to approximately 17.2% of revenue for the same period ended April 30, 2014.

Research and development expenses increased by \$0.6 million for the three months ended April 30, 2015 when compared to the same period ended April 30, 2014. Research and development expenses represented approximately 19.2% of revenue for the three months ended April 30, 2015 as compared to approximately 19.6% for the same period ended April 30, 2014.

OUTLOOK

Management expects on an annual basis that the Company's revenues will continue to outpace the industry growth. Gross margin percentages may vary depending on the mix of products sold, the Company's success in winning more complete projects, utilization of manufacturing capacity and the competitiveness of the pricing environment. R&D will continue to be a key focus as the Company invests in new product development.

RISKS AND UNCERTAINTIES

The Company risk factors are outlined in our AIF filed on SEDAR.