

Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three month and Six month periods ended October 31, 2022 and 2021
(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

Index to Financial Statements
(Unaudited)

Interim condensed consolidated financial statements
Three month and Six month ended October 31, 2022 and 2021

Interim Condensed Consolidated Statements of Financial Position	4
Interim Condensed Consolidated Statements of Changes in Equity	5
Interim Condensed Consolidated Statements of Earnings	6
Interim Condensed Consolidated Statements of Comprehensive Earnings	7
Interim Condensed Consolidated Statements of Cash Flows	8
Notes to the Interim Condensed Consolidated Financial Statements	9-18

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

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

	October 31, 2022	April 30, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ -	\$ 33,902
Trade and other receivables (note 3)	100,787	100,020
Contract assets	12,426	6,398
Prepaid expenses	7,234	5,930
Inventories (note 4)	199,892	177,268
	320,339	323,518
Property, plant and equipment (note 5)	36,230	37,877
Right-of-use assets	22,397	24,637
Goodwill	21,064	21,033
Intangibles	2,752	3,317
Investment in an associate (note 17)	4,034	5,474
Investments (note 2)	7,553	-
Deferred income taxes	7,438	5,123
	\$ 421,807	\$ 420,979
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	\$ 4,193	\$ -
Trade and other payables	76,250	68,405
Provisions (note 6)	5,979	7,379
Deferred revenue	65,750	74,267
Current portion of redemption of liability	3,711	3,423
Current portion of lease obligations	4,152	4,088
Income tax payable	6,159	7,009
	166,194	164,571
Long-term lease obligations	20,532	22,760
	186,726	187,331
Equity		
Capital stock (note 8)	143,439	143,502
Share based payment reserve	12,390	10,893
Accumulated other comprehensive loss	(9,797)	(4,093)
Retained earnings	86,514	80,636
	76,717	76,543
Total equity attributable to shareholders	232,546	230,938
Non-controlling interest	2,535	2,710
	235,081	233,648
	\$ 421,807	\$ 420,979

See accompanying notes to the consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Six month periods ended October 31, 2022 and 2021
(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	-	-	-	31,538	31,538	334	31,872
Foreign currency translation adjustment	-	-	(227)	-	(227)	(45)	(272)
Total comprehensive earnings for the period	\$ -	\$ -	\$ (227)	\$ 31,538	\$ 31,311	\$ 289	\$ 31,600
Dividends declared	-	-	-	(103,747)	(103,747)	(250)	(103,997)
Share based compensation expense	-	866	-	-	866	-	866
Balance at October 31, 2021	\$ 143,605	\$ 10,380	\$ (1,289)	\$ 68,468	\$ 221,164	\$ 2,210	\$ 223,374
Balance at April 30, 2022	\$ 143,502	\$ 10,893	\$ (4,093)	\$ 80,636	\$ 230,938	\$ 2,710	\$ 233,648
Net earnings for the period	-	-	-	33,658	33,658	249	33,907
Unrealized loss on FVTOCI investments, net of tax	-	-	(5,821)	-	(5,821)	-	(5,821)
Foreign currency translation adjustment	-	-	117	-	117	1	118
Total comprehensive earnings for the period	\$ -	\$ -	\$ (5,704)	\$ 33,658	\$ 27,954	\$ 250	\$ 28,204
Dividends declared	-	-	-	(27,441)	(27,441)	(425)	(27,866)
Repurchase of common shares (note 8)	(63)	-	-	(339)	(402)	-	(402)
Share based compensation expense	-	1,497	-	-	1,497	-	1,497
Balance at October 31, 2022	\$ 143,439	\$ 12,390	\$ (9,797)	\$ 86,514	\$ 232,546	\$ 2,535	\$ 235,081

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings
(Unaudited)

Three month and six month periods ended October 31, 2022 and 2021
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended October 31,		Six month period ended October 31,	
	2022	2021	2022	2021
Revenue (note 13 and 14)	\$ 113,248	\$ 107,199	\$ 214,786	\$ 204,364
Cost of goods sold	45,771	46,122	88,785	86,601
Gross margin	67,477	61,077	126,001	117,763
Expenses				
Selling, administrative and general (note 9)	15,905	16,419	30,081	31,649
Research and development (note 10)	29,361	26,026	58,625	51,540
Investment tax credits	(3,173)	(2,862)	(6,362)	(5,806)
Foreign exchange gain	(3,008)	(2,206)	(4,039)	(3,633)
	39,085	37,377	78,305	73,750
	28,392	23,700	47,696	44,013
Finance (costs) income	(292)	(185)	(457)	(420)
Share of net loss from Investment in Associate, net of taxes (note 17)	(1,064)	(268)	(1,412)	(598)
Other (expenses) income	(288)	174	(160)	186
Earnings before income taxes	26,748	23,421	45,667	43,181
Provision for (recovery of) income taxes				
Current	6,530	5,841	13,169	13,642
Deferred	241	396	(1,409)	(2,333)
	6,771	6,237	11,760	11,309
Net earnings for the period	\$ 19,977	\$ 17,184	\$ 33,907	\$ 31,872
Net earnings attributable to non-controlling interest	160	193	249	334
Net earnings attributable to shareholders	19,817	16,991	33,658	31,538
Net earnings for the period	\$ 19,977	\$ 17,184	\$ 33,907	\$ 31,872
Earnings per share (note 16)				
Basic	\$ 0.26	\$ 0.22	\$ 0.44	\$ 0.41
Diluted	\$ 0.26	\$ 0.22	\$ 0.44	\$ 0.41

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited)

Three month and six month periods ended October 31, 2022 and 2021
(In thousands of Canadian dollars)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Net earnings for the period	\$ 19,977	\$ 17,184	\$ 33,907	\$ 31,872
Other comprehensive earnings (loss):				
Unrealized loss on FVTOCI investments, net of tax	(5,821)	-	(5,821)	-
Foreign currency translation adjustment	1,373	(1,638)	118	(272)
Comprehensive earnings	\$ 15,529	\$ 15,546	\$ 28,204	\$ 31,600
Comprehensive earnings attributable to non-controlling interest	\$ 209	\$ 149	\$ 250	\$ 289
Comprehensive earnings attributable to shareholders	\$ 15,320	\$ 15,397	\$ 27,954	\$ 31,311
Comprehensive earnings	\$ 15,529	\$ 15,546	\$ 28,204	\$ 31,600

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three month and six month periods ended October 31, 2022 and 2021
(In thousands of Canadian dollars)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Operating activities				
Net earnings for the period	\$ 19,977	\$ 17,184	\$ 33,907	\$ 31,872
Add: Items not involving cash				
Depreciation of property, plant and equipment	2,886	2,991	5,872	5,731
Amortization of right-of-use assets	1,196	1,300	2,365	2,569
Amortization of intangibles	312	301	616	600
(Gain) loss on disposal of property, plant and equipment	(2)	14	27	36
Share of net loss from Investment in Associate (note 17)	1,064	268	1,412	598
Share based compensation (note 12)	1,122	391	1,497	866
Interest expense	695	260	985	509
Deferred income tax recovery	241	396	(1,409)	(2,333)
	27,491	23,105	45,272	40,448
Current tax expenses, net of investment tax credits	3,357	2,979	6,807	7,836
Income taxes (paid) recovered	(5,431)	(2,003)	(7,820)	(3,075)
Changes in non-cash working capital items (note 11)	(33,074)	(23,153)	(32,588)	(6,285)
Cash (used) provided by operating activities	(7,657)	928	11,671	38,924
Investing activities				
Acquisition of property, plant and equipment	(2,423)	(1,864)	(4,335)	(2,980)
Proceeds from disposal of property, plant and equipment	38	17	38	21
Acquisition of investments	(3,188)	-	(14,263)	-
Cash used in investing activities	(5,573)	(1,847)	(18,560)	(2,959)
Financing activities				
Principle payments of lease liabilities	(1,081)	(1,190)	(2,123)	(2,317)
Interest paid	(443)	(260)	(697)	(509)
Dividends paid	(13,720)	(90,016)	(27,441)	(103,747)
Dividends paid by subsidiaries to non-controlling interests	(425)	(250)	(425)	(250)
Capital stock repurchased (note 8)	(358)	-	(402)	-
Cash used in financing activities	(16,027)	(91,716)	(31,088)	(106,823)
Effect of exchange rates on cash	(520)	(1,318)	(118)	(247)
(Decrease) increase in cash	(29,777)	(93,953)	(38,095)	(71,105)
Cash beginning of period	25,584	131,619	33,902	108,771
(Bank Indebtedness) Cash end of period	\$ (4,193)	\$ 37,666	\$ (4,193)	\$ 37,666

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three month and Six month periods ended October 31, 2022
(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 December 6, 2022.

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

	October 31, 2022		April 30, 2022	
Trade receivables	\$	97,021	\$	96,966
Other receivables		3,766		3,054
	\$	100,787	\$	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.

	October 31, 2022		April 30, 2022	
Finished goods	\$	54,076	\$	53,970
Raw material and supplies		106,475		83,058
Work in progress		39,341		40,240
	\$	199,892	\$	177,268

5. PROPERTY, PLANT AND EQUIPMENT

	October 31, 2022			April 30, 2022		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Office furniture and equipment	\$ 5,179	\$ 3,587	\$ 1,592	\$ 4,593	\$ 3,068	\$ 1,525
Research and development equipment	38,165	29,657	8,508	40,316	30,544	9,772
Airplanes	11,599	9,995	1,604	11,599	9,720	1,879
Machinery and equipment	70,411	57,284	13,127	69,153	55,936	13,217
Leaseholds	9,433	6,805	2,628	9,195	6,527	2,668
Land	2,077	-	2,077	2,055	-	2,055
Buildings	9,921	3,227	6,694	9,916	3,155	6,761
	\$ 146,785	\$ 110,555	\$ 36,230	\$ 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	(1,497)	21	(1,476)
Foreign exchange differences	90	(13)	77
Balance as at October 31, 2022	\$ 5,448	\$ 531	\$ 5,979

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

a) 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 October 31, 2022 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 October 31, 2022 of \$23,816 (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 October 31, 2022 (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	(33,494)	(63)
Balance as at October 31, 2022	76,196,202	\$ 143,439

Dividends Per Share

During the quarter, \$0.18 in dividends per share were declared (2021 - \$1.18 inclusive of special dividend of \$1.00).

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 six and three month periods, the Company purchased and canceled shares of 33,494 at a weighted average price of \$12.01 for the six months and 29,994 at a weighted average of \$11.96 for the three months (2021-nil).

9. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Selling and administrative	\$ 14,681	\$ 14,773	\$ 27,655	\$ 28,730
Depreciation - selling and administration	816	958	1,608	1,770
General:				
Share based compensation (note 12)	96	387	202	549
Amortization of intangibles	312	301	616	600
	\$ 15,905	\$ 16,419	\$ 30,081	\$ 31,649

10. RESEARCH AND DEVELOPMENT

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Research and development	\$ 28,432	\$ 23,084	\$ 54,599	\$ 46,415
Depreciation - research and development	1,210	1,358	2,436	2,706
General:				
Share based compensation (note 12)	(281)	1,584	1,590	2,419
	\$ 29,361	\$ 26,026	\$ 58,625	\$ 51,540

11. STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Trade and other receivables	\$ (1,538)	\$ (5,093)	\$ (736)	\$ (6,722)
Contract assets	(517)	(533)	(6,028)	(5,057)
Inventories	(7,224)	(9,103)	(22,573)	(11,595)
Prepaid expenses	708	(1,050)	(1,318)	(564)
Trade and other payables	(10,741)	(8,094)	7,984	7,478
Deferred revenue	(14,081)	608	(8,517)	10,088
Provisions	319	112	(1,400)	87
	\$ (33,074)	\$ (23,153)	\$ (32,588)	\$ (6,285)

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.

Note #12 continued ...

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

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2022	5,055,500	\$ 13.43
Forfeited	(129,500)	12.87
Expired	(25,000)	16.87
Balance as at October 31, 2022	4,901,000	\$ 13.43

Stock options outstanding as at October 31, 2022 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	3,648,500	2.8	-	\$ -
14.07-15.80	\$ 15.37	500,000	1.5	282,000	\$ 15.69
16.08-16.20	\$ 16.17	220,000	2.1	36,000	\$ 16.08
17.24-18.63	\$ 17.89	532,500	1.9	70,000	\$ 17.46
Totals	\$ 13.43	4,901,000	2.8	388,000	\$ 16.04

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	(87,500)
Forfeited	(3,000)
Balance as at October 31, 2022	352,500

As at October 31, 2022, the average remaining contractual life for outstanding RSUs under the 2016 Plan is 0.5 years (2021 – 0.9 years).

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.

Note #12 continued ...

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	1,063,750
Forfeiture	(4,500)
Balance as at October 31, 2022	1,059,250

Compensation expense

Stock Option Plan

The share based compensation expense that has been charged against earnings over the six month and three month period is \$652 (2021 - \$866) and \$381 (2021 - \$391). 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% (2021 - 16%).

Restricted Share Unit Plan (2016 Plan)

The share based compensation expense that has been charged against earnings over the six month and three month period is \$295 and the credit of \$448 (2021 - \$2,625 and \$2,102 respectively). Share based compensation expense was calculated using a weighted average forfeiture rate of 8% (2021 - 8%). As at October 31, 2022, the total liability included within trade and other payables is \$4,519 (2021 - \$9,784).

Restricted Share Unit Plan (2022 Plan)

The share base compensation expense that has been charged against earnings over the six month and three month period is \$845 and \$740 (2021 - 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 10%.

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.

	Three month period ended		Six month period ended	
	October 31,		October 31,	
Revenue	2022	2021	2022	2021
United States	\$ 82,783	\$ 75,636	\$ 157,721	\$ 132,242
International	24,841	28,966	47,828	61,718
Canada	5,624	2,597	9,237	10,404
	\$ 113,248	\$ 107,199	\$ 214,786	\$ 204,364

Note #13 continued ...

October 31, 2022						
	Property, Plant and Equipment	Goodwill	Intangible Assets	Right-of-Use Assets	Investment in an Associate	
United States	\$ 4,448	\$ 1,388	\$ 677	\$ 496	\$ 4,034	
International	8,740	18,093	2,075	3,560	-	
Canada	23,042	1,583	-	18,341	-	
	\$ 36,230	\$ 21,064	\$ 2,752	\$ 22,397	\$ 4,034	

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		Six month period ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Hardware, including related software	\$ 80,254	\$ 76,096	\$ 161,877	\$ 152,607
Services, including warranty, training and commissioning	14,592	11,910	27,212	20,245
Long term contract revenue	18,402	19,193	25,697	31,512
	\$ 113,248	\$ 107,199	\$ 214,786	\$ 204,364

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 \$7,019 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$525 (2021 - \$525) and \$262 (2021 - \$262) with no outstanding amounts due as at October 31, 2022.

The Company also leases property where two shareholders indirectly own 100% interest. This lease was renewed in October 2022 and expires in 2026 with a total of \$1,237 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$120 (2021 - \$136) and \$48 (2021 - \$73) with no outstanding amounts due as at October 31, 2022.

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 \$5,583 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$433 (2021 - \$433) and \$217 (2021 - \$216) with no outstanding amounts due as at October 31, 2022.

Note #15 continued ...

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 \$3,632 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$263 (2021 – \$263) and \$131 (2021 - \$131) with no outstanding amounts due as at October 31, 2022.

The Company also leases a property where two shareholders indirectly own 100% interest. The lease expires in 2023 with a total of \$178 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$76 (2021 – \$76) and \$38 (2021 - \$38) with no outstanding amounts due as at October 31, 2022.

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 \$3,651 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$505 (2021 – \$498) and \$252 (2021 - \$249) with no outstanding amounts due as at October 31, 2022.

On August 1, 2016 the Company entered into a property lease agreement. Currently two shareholders indirectly own 100% interest. This lease expires in 2026 with a total of \$1,046 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$134 (2021 – \$132) and \$68 (2021 - \$66) with no outstanding amounts due as at October 31, 2022.

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		Six month period ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Weighted average common shares outstanding	76,219,522	76,284,366	76,223,768	76,284,366
Dilutive effect of stock options	104,739	277,114	160,931	354,999
Diluted weighted average common shares outstanding	76,324,261	76,561,480	76,384,699	76,639,365

The weighted average number of diluted common shares excludes 1,252,000 options because they were anti-dilutive during the period (2021 – 1,331,000).

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.

During the six month and three month periods, \$1,412 and \$1,064 in losses were recorded in recognition of the Company's share of DDSports Inc. losses during fiscal 2023 (2022 - \$598 and \$268 respectively). As at October 31, 2022, DDSports Inc. had \$2,578 in working capital and \$6,029 in net assets. (April 30, 2022 - \$6,068 in working capital and \$9,603 in net assets)

18. SUBSEQUENT EVENT

On November 10, 2022, the Company renewed their NCIB with the TSX to repurchase, at the Company's discretion, until November 13, 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.

On December 6, 2022, the Company declared a quarterly dividend of \$0.19 with a record date of December 16, 2022 and a payment date of December 22, 2022.