Consolidated financial statements of

Avigilon Corporation

For the years ended December 31, 2017 and 2016

Avigilon Corporation

For the years ended December 31, 2017 and 2016

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March 6, 2018

Independent Auditor's Report

To the Shareholders of Avigilon Corporation

We have audited the accompanying consolidated financial statements of Avigilon Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of net income and comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Avigilon Corporation and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Avigilon Corporation

Consolidated statements of net income and comprehensive income

(In thousands of United States dollars, except number of shares and per share amounts)

	Note		Years ended December 31, 2017		2016
Revenue	19(a)	$	**408,629**	$	353,622
Cost of sales	4		**(197,621)**		(169,652)
Gross profit			**211,008**		183,970
Operating expenses	4				
Sales and marketing			**80,021**		76,728
Research and development			**17,514**		16,922
General and administrative			**45,878**		49,206
Amortization and depreciation			**24,360**		21,159
			167,773		164,015
Operating income			**43,235**		19,955
Other income (expense)					
Interest on long-term debt			**(2,410)**		(2,899)
Interest and other (loss) income			**(703)**		108
Revaluation (loss) gain on contingent consideration receivable	5(a)		**(499)**		1,924
Foreign exchange gain (loss)			**2,087**		(1,593)
			(1,525)		(2,460)
Net income before income taxes			**41,710**		17,495
Income tax expense (recovery)	16				
Current			**10,857**		(1,463)
Deferred			**2,589**		11,768
			13,446		10,305
Net income			**28,264**		7,190
Other comprehensive income:					
Items that may subsequently be reclassified to income:					
Gain on translation			**—**		8,345
Total comprehensive income		$	**28,264**	$	15,535
Earnings per share	15				
Basic		$	**0.64**	$	0.17
Diluted		$	**0.63**	$	0.16
Weighted average number of common shares outstanding (000's)					
Basic			**43,925**		43,433
Diluted			**44,933**		44,391

The accompanying notes are an integral part of these consolidated financial statements.

Avigilon Corporation

Consolidated statements of financial position

(In thousands of United States dollars)

	Note		**December 31, 2017**		December 31, 2016
Assets					
Current assets					
Cash and cash equivalents		**$**	**26,807**	$	30,012
Trade and other receivables	5		**92,373**		88,524
Inventories	6		**64,721**		48,522
Prepaid expenses			**3,803**		3,992
Assets held for sale	7		**66,627**		—
			254,331		171,050
Non-current assets					
Property, plant and equipment	7		**23,018**		73,244
Intangible assets	8		**125,589**		130,537
Goodwill	9		**14,682**		14,682
Deposits and other			**923**		754
Deferred tax assets	16		**4,401**		5,276
Total assets		**$**	**422,944**	$	395,543
Liabilities					
Current liabilities					
Trade and other payables	10	**$**	**50,190**	$	45,842
Provisions	11		**3,951**		2,576
Short-term leasehold incentives			**358**		523
Current portion of long-term debt	12		**80,271**		16,743
			134,770		65,684
Non-current liabilities					
Deferred revenue			**945**		—
Deferred tax liabilities	16		**9,999**		9,019
Long-term leasehold incentives			**1,245**		1,663
Long-term debt	12		**—**		81,895
Total liabilities			**146,959**		158,261
Equity					
Share capital	13		**221,500**		214,384
Equity compensation reserve			**19,265**		15,942
Retained earnings			**77,609**		49,345
Accumulated other comprehensive loss			**(42,389)**		(42,389)
Total equity			**275,985**		237,282
Total liabilities and equity		**$**	**422,944**	$	395,543

Commitments and contingencies - Note 18

Subsequent events - Note 5, Note 7, Note 12, Note 18 and Note 22

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors:

"Alexander Fernandes"
Alexander Fernandes, Director

"Fred Withers"
Fred Withers, Director

Avigilon Corporation

Consolidated statements of changes in equity

(In thousands of United States dollars, except number of shares)

	Share capital					
	Common shares outstanding	Amount	Equity compensation reserve	Retained earnings	Accumulated other comprehensive (loss) income	Total equity
Balance, January 1, 2016	43,231,653	$ 210,926	$ 11,781	$ 42,155	$ (50,734)	$ 214,128
Issuance of common shares from exercise of stock options (Note 13)	220,000	1,420	(380)	—	—	1,040
Issuance of common shares from vesting of restricted share units (Note 13)	145,711	2,038	(2,038)	—	—	—
Share-based payments	—	—	6,579	—	—	6,579
Net income	—	—	—	7,190	—	7,190
Other comprehensive income	—	—	—	—	8,345	8,345
Balance, December 31, 2016	43,597,364	$ 214,384	$ 15,942	$ 49,345	$ (42,389)	$ 237,282
Issuance of common shares from exercise of stock options (Note 13)	412,850	3,969	(1,081)	—	—	2,888
Issuance of common shares from vesting of restricted share units (Note 13)	308,647	3,147	(3,147)	—	—	—
Share-based payments, net of taxes	—	—	7,551	—	—	7,551
Net income	—	—	—	28,264	—	28,264
Balance, December 31, 2017	**44,318,861**	**$ 221,500**	**$ 19,265**	**$ 77,609**	**$ (42,389)**	**$ 275,985**

The accompanying notes are an integral part of these consolidated financial statements.

Avigilon Corporation

Consolidated statements of cash flows

(In thousands of United States dollars)

	Note	Years ended December 31, 2017	2016
Cash flows from (used in) operating activities			
Net income		**$ 28,264**	$ 7,190
Adjustments for:			
Amortization expense	8	**18,248**	15,087
Depreciation expense	7	**8,247**	7,976
Leasehold incentives received, net of amortization and write-offs		**(583)**	1,275
Share-based payments		**7,172**	6,579
Income tax expense	16	**13,446**	10,305
Investment tax credits		**(879)**	(2,458)
Interest on long-term debt		**2,410**	2,899
Unrealized foreign exchange (gain) loss		**(1,260)**	2,452
Revaluation loss (gain) on contingent consideration receivable	5(a)	**499**	(1,924)
Disposal of leasehold improvements	7	**309**	—
Impairment of property, plant and equipment and intangible assets	7,8	**908**	—
Inventory obsolescence	6	**3,320**	932
Bad debt expense	21	**1,150**	488
Interest and other income		**(157)**	(108)
Cash from operations before changes in non-cash working capital		**81,094**	50,693
Changes in non-cash working capital:			
Trade and other receivables		**(15,914)**	(29,246)
Inventories		**(19,518)**	14,585
Prepaid expenses and deposits		**39**	(753)
Trade and other payables		**11,354**	10,568
Cash from operating activities		**57,055**	45,847
Interest received		**158**	108
Income taxes received (paid)		**995**	(3,004)
Net cash from operating activities		**58,208**	42,951
Cash flows used in investing activities			
Additions to property, plant and equipment and assets held for sale		**(27,531)**	(19,486)
Additions to intangible assets		**(15,131)**	(17,367)
Net cash used in investing activities		**(42,662)**	(36,853)
Cash flows from (used in) financing activities			
Proceeds from long-term debt	12	**35,687**	30,000
Deferred financing costs on long-term debt	12	**(19)**	(343)
Repayment of long-term debt	12	**(54,503)**	(21,060)
Interest paid on long-term debt	12	**(3,950)**	(3,754)
Proceeds from stock options exercised		**2,888**	1,040
Net cash (used in) from financing activities		**(19,897)**	5,883
Effect of foreign exchange rate changes on cash and cash equivalents		**1,146**	(577)
Net (decrease) increase in cash and cash equivalents		**(3,205)**	11,404
Cash and cash equivalents, beginning of period		**30,012**	18,608
Cash and cash equivalents, end of period		**$ 26,807**	$ 30,012

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations

Avigilon Corporation (the "**Company**") is incorporated under the *Canada Business Corporations Act* and provides trusted security solutions to the global market. The Company designs, develops, and manufactures video analytics, network video management software and hardware, surveillance cameras, and access control solutions. The Company's solutions have been installed at thousands of customer sites, including banking centers, casinos, critical infrastructure, educational institutions, hospitals, government facilities, manufacturing facilities, petrochemical plants, ports of entry, public transport, retail shops, and stadiums. The Company's solutions are promoted by its sales and marketing staff and sold to a global network of dealers and integrators.

The Company's head office is located at 3rd Floor - 555 Robson Street, Vancouver, British Columbia, Canada V6B 1A6. The Company's registered office is located at Suite 2900 - 550 Burrard Street, Vancouver, British Columbia, Canada V6C 0A3.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). They were authorized for issuance by the Company's Board of Directors (the "**Board of Directors**") on March 6, 2018. The consolidated financial statements have been prepared under the historical cost convention, except for derivative contracts and contingent consideration receivable which are measured at fair value.

(b) Change in functional currency in 2016

Effective April 1, 2016, the Company changed its functional currency from Canadian dollars ("**CAD**") to United States ("**US**") dollars ("**USD**"). The Company applied the change in functional currency on a prospective basis. This change reflects the Company's financing and operating activities, which are primarily carried out in USD as a result of increased sales denominated in USD, the ramping up of the Company's US manufacturing facility and USD draws on the Credit Facility (as defined in Note 12). As a result, the Company's functional currency is the same as its presentation currency, which is discussed in more detail under Note 3(b).

(c) Judgments and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are made prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 3(b) - determination of functional currency
- Note 3(f) - capitalization of development costs
- Note 3(p) - capitalization of investment tax credits ("**ITCs**")
- Note 3(v) - identification of qualifying assets for capitalization of borrowing costs
- Note 9 - goodwill impairment test: judgment used in identifying cash-generating units ("**CGUs**")

2. Basis of presentation (continued)

Assumptions and estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the consolidated financial statements is included in the following notes:

- Note 3(c) - fair values of assets and liabilities acquired in business combinations
- Note 3(o) - recognition of deferred tax assets: availability of future taxable profit against which forward tax losses can be used and application of income tax legislation when operating in multiple tax jurisdictions
- Note 3(p) - recognition of ITCs related to qualified scientific research and experimental development activities ("**SRED**")
- Note 3(q) and 14 - share-based payment transactions
- Note 3(r) - provisions
- Note 9 - goodwill impairment test: key assumptions underlying recoverable amounts

3. Significant accounting policies

(a) Basis of consolidation

The Company consolidates subsidiaries controlled by the Company. The Company controls an entity when the Company is exposed to, or has rights to, variable returns through its power over the entity. All intercompany balances and transactions have been eliminated on consolidation. The Company has the following four material directly or indirectly wholly-owned subsidiaries:

Name	**Place of Incorporation**
Avigilon USA Corporation	Delaware, United States
AVO USA Holding 1 Corporation	Delaware, United States
Avigilon Technologies Corporation, formerly Avigilon Patent Licensing Corporation, and formerly "9051112 Canada Inc."	Canada
Avigilon Fortress Corporation, formerly "9099590 Canada Inc."	Canada

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

3. Significant accounting policies (continued)

(b) Foreign currency

The consolidated financial statements of the Company are presented in USD.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's subsidiaries at exchange rates at the dates of the transactions. Management uses judgment in determining the primary economic environment in which a subsidiary operates in assessing a subsidiary's functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates in effect at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate in effect when the fair value was determined. Foreign currency differences are generally recognized in net income. Non-monetary items that are measured based on historical cost in a foreign currency are translated to the functional currency using the exchange rate in effect at the date of the transaction giving rise to the item.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the monthly average exchange rates.

Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve. When a foreign operation is disposed of in its entirety or partially, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to net income as part of the gain or loss on disposal.

The Company used the following exchange rates:

	Year-end exchange rate as at		**Average for the years ended**	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Canadian dollars	**1.26**	1.34	**1.30**	1.33
British Pound Sterling	**0.74**	0.81	**0.78**	0.74
Euros	**0.83**	0.95	**0.89**	0.90
Australian dollars	**1.28**	1.39	**1.30**	1.36

3. Significant accounting policies (continued)

(c) Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The fair value of net assets acquired is determined using valuation techniques that require estimation of replacement costs, future net cash flows and discount rates. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issuance of debt or equity securities.

(d) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation. Depreciation is generally calculated on a straight-line basis to amortize the cost of property, plant and equipment less their estimated residual values over their useful lives. Assets under construction are not amortized until they are ready for their intended use.

The estimated useful lives of property, plant and equipment are as follows:

Manufacturing & tooling equipment	3 to 8 years
Leasehold improvements	Term of the lease
Furniture & equipment	8 years
Sales & demonstration equipment	3 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies (continued)

(e) Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The value of such assets held for sale is measured at the lower of their carrying amount and fair value less costs to sell. Assets held for sale (including those that are part of a disposal group) are not depreciated or amortized. Assets held for sale are presented separately in the consolidated statements of financial position under current assets.

(f) Intangible assets

Intangible assets with finite lives consist of acquired and internally developed computer software, technology, capitalized development, and intellectual property. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization. Intangible assets with finite lives are amortized over the following periods:

Computer software	2 to 10 years
Technology	10 years
Capitalized development	3 to 5 years
Intellectual property	12 to 16 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Amortization related to intangible assets is classified within amortization and depreciation under operating expenses.

Capitalization of development costs

Expenditures on research activities and non-capitalized patent-related costs are expensed in research and development expenses as incurred. Development expenditure is capitalized only if the expenditure 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. Judgment is required in determining the technical and commercial feasibility and in assessing the probability of future economic benefits.

Costs associated with certain patent applications are capitalized within capitalized development and amortized over the respective legal life of each patent.

(g) Goodwill

Goodwill is not amortized and is tested for impairment annually or whenever there is an indication of impairment. Goodwill is measured at cost less accumulated impairment losses.

(h) Impairment of non-financial assets

At each reporting date, the Company assesses its non-financial assets to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

For impairment testing, non-financial assets that do not generate independent cash flows are grouped together into a CGU, which represents the lowest level at which largely independent cash flows are generated. Goodwill is allocated to groups of CGUs based on the level at which it is monitored for internal reporting purposes.

3. Significant accounting policies (continued)

(h) Impairment of non-financial assets (continued)

An impairment loss is recognized in net income to the extent that the carrying value of an asset, CGU or group of CGUs exceeds its estimated recoverable amount. The recoverable amount of an asset, CGU or group of CGUs is the greater of its value in use and its fair value less costs of disposal. Value in use is calculated as the present value of the estimated future cash flows discounted at appropriate discount rates.

(i) Financial instruments

Financial instruments comprise cash and cash equivalents, deposits, trade and other receivables, trade and other payables (with the exception of deferred revenue) and long-term debt. Financial instruments are recognized when the Company becomes a party to the contractual provision of the instrument. Financial assets and liabilities are derecognized when rights to receive or obligations to pay cash flows from assets or liabilities have expired or are transferred and the Company has transferred substantially all risks and rewards of ownership.

Cash and cash equivalents, deposits, and trade and other receivables are designated as loans and receivables and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method. Long-term debt and trade and other payables (with the exception of deferred revenue) are designated as financial liabilities at amortized cost and are recognized initially at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs are netted against the carrying value of the long-term debt and subsequently amortized over the expected life of the long-term debt. Interest expense on borrowings and on standby fees are included in interest on long-term debt and expensed in the period in which they are incurred.

Derivative contracts are categorized as financial assets and liabilities carried at fair value through net income, and have not been designated in hedge accounting relationships. Derivative contracts are included in current assets and current liabilities, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets and liabilities.

There are no financial instruments classified as available-for-sale or held-to-maturity.

(j) Impairment of financial assets

Financial assets not classified at fair value through net income are assessed at each reporting date to determine whether there is objective evidence of impairment.

Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset level and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of losses incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

3. Significant accounting policies (continued)

(j) Impairment of financial assets (continued)

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

(k) Inventories

Effective April 1, 2016, the Company changed its inventory costing methodology from first-in, first-out ("**FIFO**") to weighted average cost ("**WAC**"). This change more accurately reflects the current value of inventory, which provides for a better matching of cost of sales to revenue. The effect on the prior period of changing the inventory costing method from FIFO to WAC is not material.

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a WAC basis and includes all costs of purchase, costs of conversion (direct costs and an appropriate share of production overheads, based on normal operating capacity) and other costs incurred in bringing the inventory to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete the sale for finished goods and replacement cost for raw materials. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period in which the write-down or loss occurs.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits in banks with maturities of three months or less from the acquisition date.

(m) Share capital

Incremental costs directly attributable to the issue of common shares, net of any tax effects, are recognized as a deduction from equity.

(n) Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all potential dilutive ordinary common shares, which comprise incentive stock options ("**Options**") and restricted share units ("**RSUs**") granted to employees and Directors of the Company.

(o) Income tax

Income tax expense comprises current and deferred tax. It is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3. Significant accounting policies (continued)

(o) Income tax (continued)

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxable benefit will be realized. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. To the extent that future taxable income and the application of existing tax laws differ significantly from the Company's estimate, the ability of the Company to realize the deferred tax assets could be impacted.

With operations in various countries, the Company is subject to income taxes in multiple jurisdictions around the world. Judgment is required in the application of income tax legislation. These estimates and judgments are subject to risk and uncertainty, and could result in an adjustment to the current and/or deferred tax provision with a corresponding credit or charge to net income.

(p) Investment tax credits

The Company is entitled to certain Canadian federal and provincial tax incentives for SRED, US federal tax incentives for increasing research activities, and US state research and development tax credits. These ITCs are available to the Company to reduce actual income taxes payable. Any credits that are not used in the year in which they are earned are recorded as a deferred income tax asset when it is probable that such credits will be utilized. The utilization is dependent upon the generation of future taxable income. Management estimates the amount of ITCs based on eligible SRED expenditures for the year and assesses the probability of usage based upon forecast results.

ITCs that relate to the development of capitalized development assets are recorded as a reduction of the cost of the related asset. All other ITCs are recorded as a reduction of current period research and development expenses. Management uses judgment in allocating ITCs between capitalized and non-capitalized development projects.

(q) Employee benefits

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

3. Significant accounting policies (continued)

(q) Employee benefits (continued)

Compensation expense for Options is determined based on estimated fair values of all share-based awards at the grant date, using the Black-Scholes option pricing model. The Black-Scholes option pricing model utilizes subjective assumptions such as expected forfeiture rates, expected price volatility and expected life of the Options. Changes in these input assumptions or in management's estimate of the number of awards which will ultimately vest may significantly affect the amount of non-cash share-based payments recorded. Compensation expense for RSUs is determined based on the closing share price on the day prior to the RSU grant date. Total compensation expense for each award is amortized over the vesting period, taking into consideration management's best estimate of awards which are expected to vest.

Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(r) Provisions

Warranties

A provision for warranties is recognized when the underlying products are sold. The amount recognized is the best estimate of the costs to be incurred during the warranty period based on historical warranty data. Warranty expense is included in cost of sales.

Sales returns

The Company records an estimate of sales returns based on historical return information. The historical estimate is reviewed and calculated throughout the year to ensure it reflects the most relevant data available. Sales returns are recorded as reductions of revenue.

Effective April 1, 2016, for all adjustments to revenue with respect to estimated future sales returns, the Company has made an offsetting adjustment to cost of sales to reflect the expected value of goods to be returned. The Company implemented this change to more accurately reflect the impact on gross profit of estimated future sales returns. The change in the sales return provision policy does not have a material effect on the prior period.

(s) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of hardware, the transfer occurs upon shipment of hardware to the customer. Software license revenues are recognized upon delivery of the software product key to the customer, as the software product key allows the customer to activate the software.

Revenue associated with the sale of extended warranties is recognized over the life of the extended warranty contract. Deferred revenue related to extended warranties is presented within deferred revenue under non-current liabilities.

3. Significant accounting policies (continued)

(s) Revenue recognition (continued)

License revenue

License revenue is earned from licensing certain patents from the Company's patent portfolio to other parties. License revenue is recognized based on the nature of the agreement. License agreements may contain one or more of the following elements: (i) fixed, non-refundable fee allowing the licensee to utilize the patent over the term of the agreement ("**Fixed Fee License Revenue**"); (ii) license fee based on relevant products sold by the licensee ("**Per Product License Revenue**"); and (iii) license fee based on a percentage of the revenue of licensee ("**Revenue Based License Revenue**").

Fixed Fee License Revenue is recognized when the patent license agreement establishing the Fixed Fee License Revenue has been signed and the consideration is collected. Per Product License Revenue is recognized on an accrual basis based on sales reports for licensed products received from the licensee. Revenue Based License Revenue is recognized on an accrual basis based on licensee revenue as reflected in the applicable licensee's financial statements.

Multiple-element arrangements

Arrangements may comprise multiple product and service elements. The Company's multiple-element sales arrangements include arrangements where hardware with embedded software licenses is sold and post-sale technical support is provided.

The hardware and software function together to deliver the tangible product's functionality and revenue is recognized when the criteria above are met. Revenue allocable to post-sale technical support is recognized over management's best estimate of the period during which services are performed. Deferred revenue associated with post-sale technical support is presented within trade and other payables.

(t) Cost of sales

Cost of sales includes personnel and material costs related to the sale of goods as described in Note 3(s). In addition, cost of sales includes a portion of depreciation expense relating to manufacturing property, plant and equipment calculated based on standard manufacturing overhead rates.

(u) Leases

Leases are classified as either finance or operating leases based on the risks and rewards of ownership of the underlying assets. Where the contracts are classified as operating leases, payments are recognized in net income in the period they are incurred. A lease is classified as a finance lease if it transfers substantially all of the risks and rewards of ownership of the leased asset. The asset and liability associated with a finance lease are recorded at the lower of fair value and the present value of the minimum lease payments. Lease payments are apportioned between interest expense and repayments of the liability.

(v) Borrowing costs

General and specific borrowing 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.

Non-capitalized borrowing costs are expensed in net income in the period in which they are incurred.

3. Significant accounting policies (continued)

(w) Adoption of new accounting standards

New accounting standards applied in the year

International Accounting Standards ("**IAS**") 7, *Statement of Cash Flows* (effective January 1, 2017) introduced new requirements to disclose changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The required disclosures have been added to Note 12 of these consolidated financial statements.

New standards and interpretations not yet adopted

IFRS 9, *Financial Instruments* ("**IFRS 9**")

IFRS 9 is effective for years commencing on or after January 1, 2018, and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. Under IFRS 9, financial assets and liabilities will be classified and measured based on the business model in which they are held and the characteristics of the associated contractual cash flows. IFRS 9 also includes a new general hedge accounting standard which will better align hedge accounting and risk management. IFRS 9 introduces new requirements for the impairment of financial assets. Under the new standard, the Company will use a provision matrix, permitted under the simplified approach, to estimate expected credit losses for trade receivables. The Company has not yet finalized the implementation of IFRS 9. The Company will adopt IFRS 9 in its consolidated financial statements for the year commencing January 1, 2018 and apply it retrospectively.

IFRS 15, *Revenue from Contracts with Customers* ("**IFRS 15**")

IFRS 15 is effective for years commencing on or after January 1, 2018, and replaces IAS 11, *Construction Contracts;* IAS 18, *Revenue*; International Financial Reporting Interpretations Committee ("**IFRIC**") 13, *Customer Loyalty Programmes;* IFRIC 15, *Agreements for the Construction of Real Estate;* IFRIC 18, *Transfer of Assets from Customers;* and Standing Interpretations Committee 31, *Revenue - Barter Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time, or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company will adopt IFRS 15 in its consolidated financial statements for the year commencing January 1, 2018 using the modified retrospective approach. The adoption of IFRS 15 will have an impact on the accounting policies and disclosures. The Company is in the process of finalizing the implementation and does not expect a material adjustment on opening retained earnings.

IFRS 16, *Leases* ("**IFRS 16**")

IFRS 16 is effective for years commencing on or after January 1, 2019, and replaces IAS 17, *Leases*. The standard provides a single lease accounting model, requiring lessees to recognize assets and liabilities for almost all leases. The Company intends to adopt IFRS 16 in its consolidated financial statements for the year commencing January 1, 2019. The Company is in the process of determining the impact of adopting IFRS 16 on its consolidated financial statements.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

4. Expenses by nature

The expenses presented below represent total cost of sales, sales and marketing, research and development, general and administrative expenses, and amortization and depreciation.

	Years ended December 31, 2017	2016
Materials consumed	**$ 157,206**	$ 136,585
Salaries and benefits	**120,283**	111,829
Amortization and depreciation	**26,495**	23,063
Professional services, insurance and filing costs	**15,675**	14,890
Office, administrative and other costs	**17,880**	15,368
Rent, telecommunication, IT and related costs	**11,296**	12,942
Travel and related costs	**11,225**	13,436
Marketing, advertising and related costs	**5,334**	5,554
	$ 365,394	$ 333,667

5. Trade and other receivables

	December 31, 2017	December 31, 2016
Trade receivables	**$ 87,799**	$ 73,679
Taxes receivable	**3,499**	12,086
Contingent consideration receivable (a)	**251**	1,924
Other receivables	**824**	835
	$ 92,373	$ 88,524

(a) Contingent consideration receivable

Pursuant to the acquisition by the Company of ObjectVideo, Inc.'s ("**ObjectVideo**") patent portfolio and licensing program on December 17, 2014 (the "**ObjectVideo Acquisition**"), the shareholders of ObjectVideo agreed to pay the Company 50% of the proceeds, net of transaction costs, on any sale of any portion of the remainder of ObjectVideo's business, if such a sale were to take place within five years of the date of the ObjectVideo Acquisition (a "**Post-Closing Segment Sale**"). This contingent consideration receivable was accounted for as a financial asset at fair value through net income. At the date of the ObjectVideo Acquisition, the Company determined that the probability that a sale of ObjectVideo's remaining business would take place was low and therefore no value was assigned to the contingent consideration receivable.

On December 29, 2016, ObjectVideo agreed to pay $1,924 to the Company in connection with a Post-Closing Segment Sale, subject to adjustment for certain transaction costs and escrow claims, pursuant to the terms of the asset purchase agreement governing the ObjectVideo Acquisition, and therefore the Company recorded a corresponding revaluation gain on this contingent consideration receivable in 2016.

The Company received $1,174 of this consideration receivable on January 4, 2017. On December 29, 2017, the balance was adjusted for certain transaction costs and escrow claims to $251. The Company received that $251 of the contingent consideration receivable on January 4, 2018.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

6. Inventories

		December 31, 2017		December 31, 2016
Raw materials	**$**	**34,270**	$	23,343
Work in progress		**8,012**		8,913
Finished goods		**22,439**		16,266
	$	**64,721**	$	48,522

During the year ended December 31, 2017, raw materials, changes in work in progress, and finished goods included in cost of sales amounted to $189,905 (2016 - $162,836).

During the year ended December 31, 2017, the write-down of inventories to net realizable value amounted to $3,320 (2016 - $932). During the year ended December 31, 2017, the reversals of previously recorded write-downs amounted to $Nil (2016 - $Nil). Write-downs and reversals are included in cost of sales.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

7. Property, plant and equipment

The Company's property, plant and equipment gross carrying amounts and accumulated depreciation were as follows:

	Land	Assets under construction	Manufacturing & tooling equipment	Leasehold improvements	Furniture & equipment	Sales & demonstration equipment	Computer equipment	**Total**
Cost								
Balance, January 1, 2016	$ 12,963	$ 23,595	$ 6,680	$ 7,139	$ 3,000	$ 6,247	$ 5,125	$ 64,749
Additions	—	14,965	544	1,341	729	2,424	2,944	22,947
Transfers	—	(4,168)	529	3,559	2	—	78	—
Effect of movements in exchange rates	891	1,397	193	273	333	144	269	3,500
Balance, December 31, 2016	13,854	35,789	7,946	12,312	4,064	8,815	8,416	91,196
Additions	—	20,212	72	76	2,291	1,028	1,728	**25,407**
Transfers	—	(1,310)	451	198	490	—	171	**—**
Disposals	—	—	—	(1,364)	(1,022)	(2,986)	—	**(5,372)**
Assets classified as held for sale	(13,854)	(52,773)	—	—	—	—	—	**(66,627)**
Balance, December 31, 2017	**$ —**	**$ 1,918**	**$ 8,469**	**$ 11,222**	**$ 5,823**	**$ 6,857**	**$ 10,315**	**$ 44,604**
Accumulated depreciation								
Balance, January 1, 2016	$ —	$ —	$ (1,638)	$ (1,746)	$ (937)	$ (3,025)	$ (2,107)	$ (9,453)
Depreciation expense	—	—	(1,106)	(1,578)	(798)	(2,251)	(2,243)	(7,976)
Effect of movements in exchange rates	—	—	(100)	(96)	(68)	(108)	(151)	(523)
Balance, December 31, 2016	—	—	(2,844)	(3,420)	(1,803)	(5,384)	(4,501)	(17,952)
Depreciation expense	—	—	(1,223)	(1,723)	(656)	(2,184)	(2,461)	**(8,247)**
Disposals	—	—	—	1,055	1,022	2,536	—	**4,613**
Balance, December 31, 2017	**$ —**	**$ —**	**$ (4,067)**	**$ (4,088)**	**$ (1,437)**	**$ (5,032)**	**$ (6,962)**	**$ (21,586)**
Carrying amounts								
December 31, 2016	$ 13,854	$ 35,789	$ 5,102	$ 8,892	$ 2,261	$ 3,431	$ 3,915	$ 73,244
December 31, 2017	**—**	**1,918**	**4,402**	**7,134**	**4,386**	**1,825**	**3,353**	**23,018**

During the year ended December 31, 2017, depreciation allocated to cost of sales was $2,135 (2016 - $1,904). During the year ended December 31, 2017, the Company capitalized $1,630 (2016 - $939) of interest associated with costs incurred on qualifying property, plant and equipment. The Company used an annualized capitalization rate of 4.84% (2016 - 4.45%) for the capitalization of general borrowing costs. During the year ended December 31, 2017, the Company recorded an impairment loss of $450 (2016 - Nil) related to sales and demonstration equipment.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

7. Property, plant and equipment (continued)

On May 8, 2017, the Company announced that it had entered into an agreement to sell and lease back the Company's downtown Vancouver office tower (the "**Building**") and associated land at 555 Robson Street (collectively, the "**Property**") for gross proceeds of approximately CAD $107.5 million (the "**Property Sale**"). The Property Sale was subject to certain conditions that are standard for a transaction of this nature, including, without limitation, completion of the purchaser's due diligence, satisfaction of the Company's obligations under its Credit Facility (as defined in Note 12), and finalization of the terms of the Building lease. As at December 31, 2017, the Property was classified as assets held for sale pending completion of the sale.

On February 16, 2018, the Property Sale was completed and the Company entered into an agreement to lease the Building.

8. Intangible assets

The Company's intangible asset gross carrying amounts and accumulated amortization were as follows:

	Computer software	Technology	Capitalized development	Intellectual property	**Total**
Cost					
Balance, January 1, 2016	$ 9,794	$ 27,894	$ 15,692	$ 89,503	$ 142,883
Additions	3,936	—	11,986	—	15,922
Effect of movements in exchange rates	834	192	1,231	883	3,140
Balance, December 31, 2016	14,564	28,086	28,909	90,386	161,945
Additions	923	—	12,835	—	**13,758**
Disposals	—	—	(1,157)	—	**(1,157)**
Balance, December 31, 2017	**$ 15,487**	**$ 28,086**	**$ 40,587**	**$ 90,386**	**$ 174,546**
Accumulated amortization					
Balance, January 1, 2016	$ (1,204)	$ (6,506)	$ (1,919)	$ (6,176)	$ (15,805)
Amortization expense	(1,521)	(2,833)	(4,645)	(6,088)	(15,087)
Effect of movements in exchange rates	(83)	(184)	(176)	(73)	(516)
Balance, December 31, 2016	(2,808)	(9,523)	(6,740)	(12,337)	(31,408)
Amortization expense	(1,653)	(2,825)	(7,668)	(6,102)	**(18,248)**
Disposals	—	—	699	—	**699**
Balance, December 31, 2017	**$ (4,461)**	**$ (12,348)**	**$ (13,709)**	**$ (18,439)**	**$ (48,957)**
Carrying amounts					
December 31, 2016	$ 11,756	$ 18,563	$ 22,169	$ 78,049	$ 130,537
December 31, 2017	**11,026**	**15,738**	**26,878**	**71,947**	**125,589**

During the year ended December 31, 2017, the Company capitalized $395 (2016 - $372) of interest associated with costs incurred on qualifying computer software and capitalized development, using an annualized capitalization rate of 4.84% (2016 - 4.45%) of eligible expenditures. During the year ended December 31, 2017, the Company recorded an impairment loss of $458 (2016 - Nil) related to capitalized development.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

9. Goodwill

The Company performs a goodwill impairment test annually and when circumstances indicate that the carrying value may not be recoverable.

For the purposes of impairment testing, goodwill acquired through business combinations has been allocated to a single CGU. The recoverable amount of the CGU was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The cash flows were projected over a five-year period based on past experience and actual operating results.

The Company performed its annual goodwill impairment test on November 30, 2017 and no impairment was indicated for the period tested. Based on management's assessments of events during the 31-day period subsequent to November 30, 2017, there were no indications of goodwill impairment as at December 31, 2017.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries, and were based on historical data from both internal and external sources.

	2017	2016
Weighted average cost of capital	**10.0%**	10.0%
Terminal value growth rate	**2.0%**	2.0%

The terminal value growth rate was determined based on management's estimates of future inflation and economic growth, consistent with assumptions made by market participants.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

10. Trade and other payables

	December 31, 2017	December 31, 2016
Trade payables	$ 28,415	$ 24,355
Accrued expenses	10,843	11,763
Employee related payables	9,368	7,979
Deferred revenue	578	554
Foreign exchange contracts	327	—
Taxes payable	659	1,191
	$ 50,190	$ 45,842

Information about the Company's exposure to currency and liquidity risk is included in Note 21.

11. Provisions

	Warranties Note 3(r)	Sales returns Note 3(r)	Total
Balance, January 1, 2016	$ 1,346	$ 1,052	$ 2,398
Provisions made during the year	1,858	4,165	6,023
Provisions used during the year	(1,525)	(4,320)	(5,845)
Balance, December 31, 2016	1,679	897	2,576
Provisions made during the year	2,358	7,820	10,178
Provisions used during the year	(1,769)	(7,034)	(8,803)
Balance, December 31, 2017	$ 2,268	$ 1,683	$ 3,951
Current	$ 2,268	$ 1,683	$ 3,951
Non-current	—	—	—
	$ 2,268	$ 1,683	$ 3,951

(a) Warranties

The provision for warranties relates to products sold during the past three years. The provision has been estimated based on historical warranty data associated with similar products. The Company expects to settle the majority of the liability within the next year.

(b) Sales returns

The provision for sales returns relates to products sold during the year. The provision has been estimated based on historical returns. The Company expects to settle the majority of the liability within the next year.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

12. Long-term debt

As at December 31, 2016, the Company had a multi-tranche $240,000 senior secured syndicated credit facility (the "**Credit Facility**") with a maturity date of April 7, 2019. On October 31, 2017, the Company fully repaid the real estate term loan (the "**Real Estate Loan**") and reduced the maximum funds available to $200,000.

The maximum funds available under the Credit Facility consisted of the following:

	December 31, 2017	December 31, 2016
Revolving acquisition facility (the "**Acquisition Facility**")	$ 100,000	$ 100,000
Revolving line (the "**Revolver**")	100,000	100,000
Real Estate Loan	—	40,000

Under the Credit Facility, advances under the Acquisition Facility and the Revolver are available in USD as US Base Rate advances or LIBOR advances, or in the CAD equivalent as Canadian Prime Rate advances or Banker's Acceptances. An additional margin of 0.75% to 3.25% is applied to the interest rate based on the Company's leverage ratio as defined in the Credit Facility.

For the year ended December 31, 2017, advances under the Acquisition Facility and Real Estate Loan bore interest at LIBOR plus a margin between 2.00% and 2.50% (2016 - between 2.25% and 2.50%).

For the year ended December 31, 2017, CAD $5.0 million (2016 - Nil) of advances under the Revolver bore interest at the Canadian Banker's Acceptance rate plus a margin between 2.00% and 2.25% (2016 - Nil). The remainder of advances under the Revolver bore interest at LIBOR plus a margin between 2.00% and 2.50% (2016 - between 2.25% and 2.50%).

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

12. Long-term debt (continued)

		December 31, 2017		December 31, 2016
Acquisition Facility				
Current portion	**$**	**36,135**	$	16,060
Non-current portion		**—**		36,135
Total Acquisition Facility		**36,135**		52,195
Real Estate Loan				
Current portion	**$**	**—**	$	1,124
Non-current portion		**—**		21,318
Total Real Estate Loan		**—**		22,442
Revolver				
Current portion	**$**	**44,669**	$	—
Non-current portion		**—**		25,000
Total Revolver		**44,669**		25,000
Unamortized deferred financing costs				
Current portion	**$**	**533**	$	441
Non-current portion		**—**		558
Total unamortized deferred financing costs		**533**		999
Long-term debt, net of unamortized deferred financing costs				
Current portion	**$**	**80,271**	$	16,743
Non-current portion		**—**		81,895
Total long-term debt	**$**	**80,271**	$	98,638

All debts, liabilities and obligations of the Company under the Credit Facility are secured by a first-ranking security interest in favor of the lenders over all present and future assets, property, and undertakings of the Company and its subsidiaries. The obligations of the Company under the Credit Facility are guaranteed by certain of the Company's subsidiaries.

As at December 31, 2017, the Company was in compliance with the financial covenants of the Credit Facility, which consist of a leverage ratio and fixed charge coverage ratio, as described in the Credit Facility. Based on the leverage ratio, the Company may be required to make certain mandatory repayments in the future. As at December 31, 2017, the Company was also in compliance with the restrictive covenants of the Credit Facility.

There are no minimum payments for the Revolver. The full amount of the Revolver is due on maturity.

The Company may make optional repayments on the Acquisition Facility and the Revolver at any time without penalty. As at December 31, 2017, the Company was required to apply the entirety of the net proceeds from the Property Sale to the repayment of the Credit Facility. The net proceeds were required to first be applied, on a pro rata basis, towards the Acquisition Facility, with any remaining available proceeds applied towards the repayment of the Revolver. As of December 31, 2017, the amount undrawn on the Credit Facility was $119,196.

On February 22, 2018, the Company repaid the entire amount outstanding under the Credit Facility using the net proceeds from the Property Sale.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

12. Long-term debt (continued)

The change in liabilities arising from financing activities is as follows:

	Current portion of long-term debt	Long-term debt
Balance, December 31, 2016	$ 16,743	$ 81,895
Cash flows from (used in)		
Proceeds from long-term debt	$ 21,693	$ 13,994
Deferred financing costs	—	(19)
Repayment of long-term debt	(46,503)	(8,000)
Total cash movements	$ (24,810)	$ 5,975
Non-cash changes		
Amortization of deferred financing costs	$ 443	$ 42
Foreign exchange rate changes	(17)	—
Reclassification of long-term debt	87,912	(87,912)
Total non-cash movements	$ 88,338	$ (87,870)
Balance, December 31, 2017	**$ 80,271**	$ —

13. Share capital

(a) Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

(b) Issued share capital

As at December 31, 2017, the Company's issued share capital comprised 44,318,861 common shares (December 31, 2016 - 43,597,364).

During the year ended December 31, 2017, 412,850 (2016 - 220,000) Options were exercised at a weighted average price of CAD $8.60 (2016 - CAD $6.24) per Option, which resulted in the issuance of 412,850 (2016 - 220,000) common shares and the transfer of $1,081 (2016 - $380) from the equity compensation reserve to share capital.

During the year ended December 31, 2017, 308,647 (2016 - 145,711) RSUs vested, which resulted in the issuance of 308,647 (2016 - 145,711) common shares and the transfer of $3,147 (2016 - $2,038) from the equity compensation reserve to share capital.

14. Share-based payment transactions

The Company has adopted an incentive security plan dated September 15, 2011, as amended and restated on May 25, 2014, and as further amended and restated on May 29, 2017 (the "**Incentive Security Plan**") which was approved by the Company's shareholders on June 29, 2017. The Incentive Security Plan permits the granting of equity-based awards, including Options and RSUs, to Directors, officers, employees, and consultants of the Company. The maximum number of common shares reserved for issuance on redemption of all equity-based awards under the Incentive Security Plan is limited to 10% of the issued and outstanding common shares from time to time on a non-diluted basis, provided that the maximum number of common shares reserved for issuance on redemption of RSUs is further limited to 5% of the issued and outstanding common shares from time to time on a non-diluted basis.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

14. Share-based payment transactions (continued)

(a) Options

The terms and conditions for acquiring and exercising Options are set by the Board of Directors, including the number granted, the exercise price, the term, and the vesting conditions of the Options. The Options generally vest between 12 and 60 months from the date of grant and have a maximum term of 10 years. The fair value of services received in return for Options granted is based on the fair value of Options granted, measured using the Black-Scholes option pricing model.

The changes in Options during the years ended December 31, 2017 and 2016 were as follows:

	December 31, 2017		December 31, 2016	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
		(CAD)		(CAD)
Outstanding, beginning of period	**3,005,100**	**$ 14.57**	2,927,100	$ 16.20
Options granted	**—**	**—**	962,500	11.78
Options exercised	**(412,850)**	**8.60**	(220,000)	6.24
Options forfeited or cancelled	**(241,500)**	**14.71**	(664,500)	20.48
Outstanding, end of period	**2,350,750**	**$ 15.61**	3,005,100	$ 14.57
Exercisable, end of period	**555,650**	**$ 17.41**	855,032	$ 12.64

For Options exercised during the year ended December 31, 2017, the weighted average closing share price on the dates of exercise, as listed on the Toronto Stock Exchange, was CAD $16.75 (2016 - CAD $11.48).

Details of Options outstanding under the Incentive Security Plan as at December 31, 2017 are as follows:

Range of exercise prices (CAD)	Number of Options	Weighted average remaining unit life (years)
$4.01 - $9.00	25,000	8.77
$9.01 - $16.00	1,450,000	6.62
$16.01 - $22.00	637,250	6.65
$22.01 - $33.05	238,500	3.17
$4.01 - $33.05	2,350,750	6.30

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

14. Share-based payment transactions (continued)

The weighted average grant date fair value of an Option granted during the year ended December 31, 2017 was CAD $Nil (2016 - CAD $5.75) per share, as none were granted during the period. The weighted average fair value assumptions for Option grants during the same period in 2016 were as follows:

	Year ended December 31, 2016
Forfeiture rate	10%
Weighted average share price at grant date (CAD)	$ 11.78
Average risk-free interest rate	0.86%
Expected life	7 years
Expected volatility	47%
Dividend yield	0%

Expected volatility has been based on an evaluation of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general Option-holder behavior. Share-based payment expense related to Options for the year ended December 31, 2017 was $2,244 (2016 - $3,635).

(b) RSUs

The terms and conditions respecting RSUs are set by the Board of Directors and the Incentive Security Plan, including the number granted and the vesting conditions of the RSUs. For each RSU that vests, such RSU is cancelled, a share is issued from the treasury of the Company, and the RSU's value is reclassified to share capital.

The changes in RSUs during the years ended December 31, 2017 and 2016 were as follows:

	December 31, 2017		December 31, 2016	
	Number of RSUs	**Weighted average grant date fair value (CAD)**	Number of RSUs	Weighted average grant date fair value (CAD)
Outstanding, beginning of period	**818,142**	**$ 12.20**	430,138	$ 17.91
RSUs granted	**534,400**	**13.11**	619,819	10.21
RSUs vested	**(308,647)**	**13.16**	(145,711)	18.29
RSUs forfeited	**(93,357)**	**12.07**	(86,104)	16.12
Outstanding, end of period	**950,538**	**$ 12.41**	818,142	$ 12.20

Each RSU granted during the year ended December 31, 2017 has a total vesting period of three years, pursuant to which approximately one-third of the RSUs are scheduled to vest each year on the anniversary of the relevant grant date. Share-based payment expense related to RSUs for the year ended December 31, 2017 was $4,928 (2016 - $2,944)

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

15. Earnings per share

The calculation of diluted earnings per share has been based on the following weighted average number of common shares outstanding after adjustment for the effects of all potential dilutive ordinary common shares:

	Years ended December 31,	
(in 000's)	**2017**	2016
Weighted average number of common shares (basic)	**43,925**	43,433
Effect of Options and RSUs on issue	**1,008**	958
Weighted average number of common shares (diluted)	**44,933**	44,391

At December 31, 2017, 1,218,750 (2016 - 1,302,000) Options were excluded from the diluted weighted average number of common shares calculation because their effect would have been anti-dilutive.

The average market value of the Company's common shares for the purpose of calculating the dilutive effect of Options was based on quoted market prices for the year during which the Options were outstanding.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

16. Income taxes

(a) Amounts recognized in net income

		Years ended December 31, 2017		2016
Current tax expense (recovery)				
Current year	**$**	**6,612**	$	(1,512)
Adjustment for prior years and changes in utilization of prior year's tax attributes		**4,245**		49
		10,857		(1,463)
Deferred tax expense (recovery)				
Current year		**6,754**		11,835
Adjustment for prior years and changes in utilization of prior year's tax attributes		**(4,165)**		(67)
		2,589		11,768
Tax expense	**$**	**13,446**	$	10,305

(b) Reconciliation of effective tax rate

		Years ended December 31, 2017		2016
Net income before income taxes	**$**	**41,710**	$	17,495
Company's domestic tax rate		**26.00%**		26.00%
		10,845		4,549
Permanent differences		**(310)**		307
Effect of share-based payments		**1,095**		1,427
Effect of tax rates in foreign jurisdictions		**417**		589
Difference in tax rates		**—**		32
Impact of statutory tax changes [(1)]		**1,366**		—
Foreign exchange differences		**41**		3,419
Change in estimates related to prior years		**(8)**		(18)
Tax expense	**$**	**13,446**	$	10,305

[(1)] Represents the re-measurement of deferred income tax assets and liabilities for the British Columbia tax rate change from 11% to 12% and the impact of the *Tax Cuts and Jobs Act of 2017* in the US, both of which were substantially enacted as at December 31, 2017. The Company will continue to assess the impacts, if any, throughout 2018 as they become known due to changes in interpretations and assumptions, as well as additional regulatory guidance that may be issued.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

16. Income taxes (continued)

(c) Movement in deferred tax balances

A summary of the deferred tax assets/(liabilities) presented in the consolidated statements of financial position is as follows:

December 31, 2016	Opening balance	Recognized in net income	Reduction in R&D expense	Foreign exchange translation	Closing balance
Deductible temporary differences	$ 1,974	$ 823	$ —	$ 44	$ 2,841
Tax loss carry-forwards	14,422	(2,916)	—	38	11,544
SRED expenditures carry-forward	—	1,666	—	(12)	1,654
R&D activities	1,742	(71)	716	16	2,403
Inventory	1,645	(2,188)	—	145	(398)
Share issuance costs	1,057	(528)	—	64	593
Intangible assets	(11,028)	(6,489)	—	(199)	(17,716)
Investment tax credits	(195)	30	—	(25)	(190)
Property, plant and equipment	(2,480)	(1,631)	—	(15)	(4,126)
Unrealized foreign exchange on long-term loans	126	(464)	—	(10)	(348)
Deferred tax asset (liability)	$ 7,263	$ (11,768)	$ 716	$ 46	$ (3,743)

December 31, 2017	Opening balance	Recognized in net income	Reduction in R&D expense	Recognized in equity	**Closing balance**
Deductible temporary differences	$ 2,841	$ 415	$ —	$ 379	**$ 3,635**
Tax loss carry-forwards	11,544	(4,688)	—	—	**6,856**
SRED expenditures carry-forward	1,654	250	—	—	**1,904**
R&D activities	2,403	(113)	355	—	**2,645**
Inventory	(398)	398	—	—	**—**
Share issuance costs	593	(354)	—	—	**239**
Intangible assets	(17,716)	1,851	—	—	**(15,865)**
Investment tax credits	(190)	(629)	—	—	**(819)**
Property, plant and equipment	(4,126)	466	—	—	**(3,660)**
Unrealized foreign exchange on long-term loans	(348)	(185)	—	—	**(533)**
Deferred tax asset (liability)	**$ (3,743)**	**$ (2,589)**	**$ 355**	**$ 379**	**$ (5,598)**

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

16. Income taxes (continued)

(c) Movement in deferred tax balances (continued)

Of the above components of deferred income taxes, $10,251 (2016 - $10,038) of the deferred tax assets and $4,611 (2016 - $3,181) of the deferred tax liabilities are expected to be recovered within 12 months. Taxable temporary differences of $8,659 (2016 - $7,420) have not been recognized in the unremitted earnings of controlled subsidiaries as the timing of remittance for these earnings is in the Company's control and it is probable that these earnings will not be repatriated for the foreseeable future.

Deferred income tax assets of $6,555 have been recognized for non-capital loss carry-forwards of $27,247 that expire in various amounts from 2029 to 2036.

(d) Investment tax credits

The Company's SRED expenditures during the year ended December 31, 2017 resulted in ITCs of $3,048 (2016 - $3,641), of which $2,373 (2016 - $2,925) has been recorded as a reduction in current taxes payable and $675 (2016 - $716) has been recorded as a deferred tax asset.

17. Related parties

(a) Key management personnel

Key management personnel consist of the Company's executive officers and its Directors. During the years ended December 31, 2017 and 2016, compensation of key management personnel was as follows:

	Years ended December 31, 2017	2016
Short-term employee benefits	**$ 5,612**	$ 5,180
Share-based payments	**5,585**	5,123
	$ 11,197	$ 10,303

In the event of termination without cause, the Company's executive officers are each entitled to severance equal to 12 months of annual salary and bonus, or 24 months if such termination is in connection with a change of control.

(b) Other related party transactions

Other related parties include a company owned by a former Director of the Company. Transactions with such party are conducted on a normal commercial basis, including terms and prices. The aggregate value of transactions with such related party during the years ended December 31, 2017 and 2016 was as follows:

	Years ended December 31, 2017	2016
Sale of goods and services	**$ 170**	$ 685

As at December 31, 2017, $Nil (December 31, 2016 - $151) of sales to a related party was included in trade and other receivables.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

18. Commitments and contingencies

(a) Operating leases

The Company has obligations under operating leases for its office and manufacturing premises. At December 31, 2017, the future minimum lease payments, including operating costs, under non-cancellable leases were as follows:

		Total
Within one year	**$**	**3,254**
Between one and five years		**10,740**
Greater than five years		**3,258**
	$	**17,252**

The Company expensed $4,188 related to leases in the year ended December 31, 2017 (2016 - $4,940).

Subsequent to year end, the Company entered into a ten-year lease agreement to lease back the Building for minimum lease payments of CAD $4.4 million per annum over the first five years and CAD $4.7 million per annum over the last five years.

(b) Commitments

As at December 31, 2017, the Company had outstanding commitments of approximately $350 (December 31, 2016 - $8,000) related to upgrades to the Building.

(c) Contingencies

As at December 31, 2017 and as at the date these consolidated financial statements were authorized for issuance by the Board of Directors, the Company is engaged in certain legal actions in the ordinary course of its business. Management does not believe that the ultimate outcome of these legal actions will have a material adverse effect on the Company's operating results, liquidity, or financial position.

19. Segment information

The Company operates in one segment in which it designs, develops, and manufactures video analytics, network video management software and hardware, surveillance cameras, and access control solutions.

The geographic information below analyzes the Company's revenue and non-current assets by the Company's country of domicile and other geographic regions. In presenting the following information, segment revenue is based on the geographic location of customers, and non-current assets are based on the geographic location of the assets.

(a) Revenue

	Years ended December 31,			
		2017		2016
United States	**$**	**236,542**	$	203,790
Europe, Middle East and Africa		**107,505**		91,276
Canada		**26,650**		20,727
Asia Pacific		**22,281**		25,175
Latin America		**15,651**		12,654
Total revenue	**$**	**408,629**	$	353,622

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

19. Segment information (continued)

(b) Non-current assets

	Property, plant and equipment	Intangible assets	Goodwill	Deposits and other	**Total non-current assets**
Canada	$ 58,969	$ 120,982	$ 2,664	$ 595	$ 183,210
United States	14,275	9,555	12,018	159	36,007
December 31, 2016	$ 73,244	$ 130,537	$ 14,682	$ 754	$ 219,217
Canada	$ 11,015	$ 117,409	$ 2,664	$ 496	**$ 131,584**
United States	12,003	8,180	12,018	427	**32,628**
December 31, 2017	**$ 23,018**	**$ 125,589**	**$ 14,682**	**$ 923**	**$ 164,212**

20. Capital management

The Company's primary capital management objective is to deploy an efficient capital structure in order to maximize long-term shareholder value. In addition, the Company aims to ensure sufficient liquidity to support its operational and strategic plans, to maintain adequate liquidity reserves to allow the Company to manage any unforeseen risks, and to act on opportunities. The Company's capital comprises debt and equity, the book value of which was $356,256 at December 31, 2017 (December 31, 2016 - $335,920).

Senior management is responsible for managing the Company's capital, and does so through quarterly meetings and regular review of relevant financial information. The Board of Directors is responsible for overseeing this process.

The Credit Facility's restrictive covenants affect the manner in which the Company may structure or operate its business, including by limiting the Company's ability to incur indebtedness, create liens, sell assets, make capital expenditures, and engage in acquisitions, mergers, or restructuring. The Credit Facility also requires the Company to maintain certain financial ratios.

21. Financial instruments

(a) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy, based on the inputs used in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. Financial instruments (continued)

(a) Measurement of fair values (continued)

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value assessment is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company's financial instruments consist of cash and cash equivalents, deposits, trade and other receivables, trade and other payables, and long-term debt. The carrying values of these financial instruments approximate their fair values because of the short-term nature of these instruments or the indexed rate of interest plus the applicable margin of the bank debt. The fair value measurements of the foreign exchange derivatives and of the contingent consideration receivable are classified within Level 2 of the fair value hierarchy. The fair values of foreign exchange derivatives and of the contingent consideration receivable are recurring measurements and are determined using transaction specific details that are typically used by market participants in a fair value measurement.

(b) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training, and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

All transactions undertaken are to support the Company's ongoing business. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

21. Financial instruments (continued)

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's credit exposure through receivables relates to a diverse group of customers in multiple geographic regions and is therefore mitigated by a reduced concentration risk.

Customers are assessed for credit risk based on a variety of factors, including, without limitation, the nature of their organization, financial health, and credit history with the Company and other parties. Purchase limits are established for each customer and are regularly reviewed.

The aging of trade receivables net of allowance for doubtful accounts was as follows:

		December 31, 2017		December 31, 2016
Trade receivables				
Current	**$**	**79,559**	$	56,109
Aged between 61 - 119 days		**4,335**		13,283
Aged 120 days or more		**5,514**		5,155
Total gross trade receivables		**89,408**		74,547
Allowance for doubtful accounts		**(1,609)**		(868)
Total trade receivables	**$**	**87,799**	$	73,679

The Company regularly reviews the collectibility of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts. The Company has managed its credit tightly and has historically experienced minimal bad debts. Based on this past experience and the Company's detailed review of trade accounts receivable past due which were collectible, a reserve in respect of doubtful accounts of $1,609 was recorded as at December 31, 2017 (December 31, 2016 - $868).

The movement in the allowance for doubtful accounts during the year was as follows:

		December 31, 2017		December 31, 2016
Balance, beginning of the year	**$**	**868**	$	380
Increase during the year		**1,649**		800
Bad debts recovered during the year		**(499)**		(312)
Bad debts written off during the year		**(409)**		—
Balance, end of year	**$**	**1,609**	$	868

Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a high credit rating. As such, management does not expect any counterparty to fail to meet its obligations.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

21. Financial instruments (continued)

(c) Credit risk (continued)

Foreign exchange derivatives

The Company transacts with a number of Canadian chartered banks and other brokerages. Due to the creditworthiness of its counterparties, the Company regards all changes in fair value of foreign exchange derivatives as arising only from changes in market factors, including foreign exchange rates. The Company monitors the exposure to any single counterparty along with its financial position. If it is determined that a counterparty's financial position has become materially weaker, the Company will work to reduce its credit exposure to that counterparty.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management ensures that working capital, defined as current assets less current liabilities, remains positive and cash flows from operations are reasonable based on the Company's operations. Management also ensures that sufficient credit facilities are available to the Company should it be required to meet obligations when they come due or where appropriate. As at December 31, 2017, the Company held cash and cash equivalents of $26,807 (December 31, 2016 - $30,012). During the year ended December 31, 2017, the Company generated net cash flows from operations of $58,208 (2016 - $42,951). As at December 31, 2017, the Company has $119,196 undrawn on the Credit Facility (December 31, 2016 - $140,363).

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company's commitments for future minimum payments beyond one year relate to lease agreements which are disclosed in Note 18. As at December 31, 2017, the Company had outstanding commitments of approximately $350 (December 31, 2016 - $8,000) related to upgrades of the Building. All of the Company's foreign exchange derivatives outstanding as at December 31, 2017 were due to be settled within five months. As at December 31, 2017, excluding the commitments related to the development of the Building, the contractual obligations were as follows:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Trade accounts payable and other	50,190	50,190	—	—	—
Debt	80,271	80,271	—	—	—
Total contractual obligations	130,461	130,461	—	—	—

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(In thousands of United States dollars, except with respect to per share amounts, number of shares, and as otherwise stated)

21. Financial instruments (continued)

(i) Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the Company's functional currency, which is the USD.

The Company enters into foreign exchange derivative contracts to minimize exposure to foreign currencies. During the year ended December 31, 2017, the Company incurred an unrealized net loss on foreign exchange derivatives, included within foreign exchange gain (loss), of $327 (2016 - gain of $25). As at December 31, 2017, the fair value of the foreign exchange contracts was a net liability of $327 (December 31, 2016 - net asset of $25), presented within trade and other payables (December 31, 2016 - presented within trade and other receivables).

The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values. In addition to market information, the Company incorporates transaction specific details that are typically used by market participants in a fair value measurement.

The following table details the Company's sensitivity to a 10% decrease in the value of the USD against the relative foreign currencies. This analysis is based on foreign currency exchange rate variances at the end of the reporting period. It includes only outstanding foreign currency denominated monetary items and adjusts their translation at year-end for a 10% change in foreign currency rates. A positive value below indicates an increase in net income. A strengthening of the USD by the same amount would have a comparable (negative) effect on net income.

		Year ended December 31, 2017
Euros	$	**1,700**
British Pound Sterling		**936**
Canadian dollars		**176**
Australian dollars		**239**

(ii) Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company has exposure to changes in interest rates as a result of funds drawn on the floating rate Credit Facility. If LIBOR were to have increased or decreased by 25 basis points, it is estimated that the Company's net income before tax would have changed by approximately $246 for the year ended December 31, 2017 (2016 - $250).

(iii) Other market price risk

Other market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices of component parts and supplies used in manufacturing. The Company does not enter into contracts to hedge against gains or losses from changes in prices of component parts and supplies. The Company manages its other market price risk through multiple, competitive supplier arrangements and by maintaining a sufficient stock of single-source and long lead time items to withstand any temporary supply disruptions.

22. Subsequent events

On February 1, 2018, the Company announced that it has entered into an arrangement agreement (the "**Arrangement Agreement**") pursuant to which Motorola Solutions, Inc. ("**Motorola Solutions**"), through its wholly-owned subsidiary, Motorola Solutions Canada Holdings Inc., will acquire all of the issued and outstanding common shares of the Company for cash consideration of CAD $27.00 per share pursuant to a statutory plan of arrangement under the *Canada Business Corporations Act* (the "**Arrangement**"). The enterprise value of the transaction is approximately $1.0 billion.

The Arrangement is expected to be completed in the first half of 2018, subject to obtaining the requisite approval of the Company's shareholders at a special meeting currently set to be held on March 22, 2018, and satisfaction of other customary closing conditions, including regulatory, stock exchange and court approvals.

Under the terms of the Arrangement Agreement, the Company has agreed to pay Motorola Solutions CAD $38.0 million in the event the Arrangement Agreement is terminated under certain circumstances. Full details of the Arrangement Agreement, including the estimated fees, costs and expenses of the Company in connection with the Arrangement, are included in the Management Information Circular dated February 21, 2018.