Enghouse Systems

Software engineered for results

THIRD QUARTER ENDED JULY 31, 2018

September 6, 2018

To our Shareholders,

Third quarter revenue increased to $86.7 million, compared to revenue of $82.8 million in the third quarter of the prior year. The revenue increase primarily reflects contributions from acquisitions. Income from operating activities was $26.7 million compared to $22.6 million in the prior year's third quarter, an increase of 18.1%. Net income for the quarter was $16.1 million or $0.58 per diluted share compared to $11.2 million or $0.41 per diluted share in the prior year's third quarter, an increase of 43.6%.

Adjusted EBITDA for the third quarter was $27.4 million or $1.00 per diluted share, compared to $23.4 million or $0.86 per diluted share last year, with the increase being attributable to contributions from acquisitions and operating cost synergies.

On a year-to-date basis, revenue was $257.0 million compared to revenue of $241.1 million in the prior year, an increase of 6.6%. Income from operating activities was $75.9 million, compared to $66.6 million in the prior year-to-date, an increase of 14.0%. Adjusted EBITDA for the year to date increased 13.1% to $78.1 million or $2.86 per diluted share compared to $69.0 million or $2.53 per diluted share last year. Net income for the year to date was $38.2 million or $1.40 per diluted share compared to $31.9 million or $1.17 per diluted share last year.

Operating expenses before special charges related to restructuring of acquired operations were $34.1 million compared to $35.0 million in the prior year's third quarter and reflect operating cost savings, net of incremental operating costs related to acquisitions. Non-cash amortization charges on acquired software and customer relationships from acquired operations were $7.2 million for the quarter compared to $7.4 million in the prior year's third quarter. On a year-to-date basis, operating expenses before special charges were $102.3 million or 39.8% of revenue compared to $98.9 million or 41.0% of revenue last year.

The Company generated strong cash flows from operating activities of $29.3 million compared to $25.1 million in the third quarter of fiscal 2017. On a year-to-date basis, cash flows from operating activities were $74.2 million compared to $54.1 million in the prior year, an increase of 37.1%. As a result, Enghouse closed the quarter with a record $178.4 million in cash, cash equivalents and short-term investments, compared to $130.3 million at October 31, 2017. The cash balance was achieved after year-to-date payments of $13.5 million in cash dividends, $9.7 million (net of cash acquired) for acquisitions concluded in the current fiscal year and $6.9 million for acquisitions closed in prior periods.

Today, the Board of Directors approved the Company's quarterly dividend of $0.18 per common share, payable on November 30, 2018 to shareholders of record at the close of business on November 16, 2018.

Stephen J. Sadler
Chairman of the Board and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared as of September 6, 2018 and all information contained herein is current as of that date unless otherwise indicated. For a complete understanding of our business environment, risks, trends, uncertainties and the effect of critical accounting policies and estimates on our results, this MD&A should be read in conjunction with Enghouse Systems Limited's ("Enghouse Systems") and its subsidiaries (together "the Company" or "Enghouse") fiscal 2017 audited consolidated financial statements and the notes thereto. This MD&A covers the consolidated interim results of operations, financial condition and cash flows of Enghouse Systems and its subsidiaries, all wholly owned, for the third quarter ended July 31, 2018. Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian Dollars, stated in thousands, except per share amounts and as otherwise indicated.

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The consolidated interim financial statements and the MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

Non-GAAP Measures

The Company uses non-GAAP measures to assess its operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. The Company uses Adjusted EBITDA as a measure of operating performance. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Adjusted EBITDA is calculated as results from operating activities adjusted for depreciation of property, plant and equipment and special charges for acquisition related restructuring costs. Management uses Adjusted EBITDA to evaluate operating performance as it excludes amortization of software and intangibles (which is an accounting allocation of the cost of software and intangible assets arising on acquisition), any impact of finance and tax related activities, property, plant and equipment depreciation, foreign exchange gains and losses, and other income and restructuring costs primarily related to acquisitions.

Forward-looking Statements

Certain statements made or incorporated by reference in this MD&A are forward-looking and relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. By its nature, such forward-looking information is subject to various risks and uncertainties, including those discussed in this MD&A or in documents incorporated by reference in this MD&A, such as Enghouse's Annual Information Form, which could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed herein. Readers are cautioned not to place undue reliance on this forward-looking information, and the Company shall have no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

For additional information with respect to certain of these risks or factors, reference should be made to section "Risks and Uncertainties" of the MD&A and notes to the consolidated financial statements for the year ended October 31, 2017, as well as to the Company's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, copies of which are filed electronically on SEDAR at www.sedar.com.

Corporate Overview

Enghouse is a Canadian publicly traded company (TSX:ENGH) that develops enterprise software solutions for a number of vertical markets. The Company is organized around two business segments: the Interactive Management Group and the Asset Management Group. The Interactive Management Group specializes in customer interaction software and services that are designed to enhance customer service, increase efficiency and manage customer communications across the enterprise. Core technologies include contact center, attendant console, interactive voice response, dialers, agent performance optimization and analytics that support any telephony environment, deployed on-premise or in the cloud. Its customers include insurance companies, telecoms, banks and utilities as well as technology, health care and hospitality companies. The Asset Management Group provides a portfolio of products to telecom service providers, utilities and the oil and gas industry. Its products include Operations Support Systems (OSS), Business Support Systems (BSS), Mobile Value Added Services (VAS) solutions as well as data conversion services. The Asset Management Group also provides fleet routing, dispatch, scheduling, communications and emergency control center solutions for the transportation, government, first responders, distribution and security sectors.

The Company continues to focus on building a consistently profitable enterprise software company with a diversified product suite and global market presence. The Company emphasizes the importance of recurring revenue streams to increase shareholder value and the predictability of its operating results. This objective is achieved through a combination of organic growth and acquisitions. While the Company continues to develop and enhance its existing product portfolio, it is also important to augment and expedite this strategy with new and complementary technology, products and services obtained through acquisition. This dual-faceted approach will enable the Company to provide a broader spectrum of products and services to its customer base more quickly than through organic means alone.

Quarterly Results of Operations

The following table sets forth certain unaudited information for each of the eight most recent quarters (the last of which ended July 31, 2018). Historically, the Company's operating results have fluctuated on a quarterly basis, which the Company expects will continue in the future. Fluctuations in results continue to relate to the timing of software license and hardware sales, which may result in large sales orders in any one quarter, movements in foreign currency exchange rates and to the timing of acquisitions, staffing and infrastructure changes. See "Risks and Uncertainties" for more details.

For the three months ending	Total revenue $	Net income $	Earnings per share – basic $	Earnings per share – diluted $	Cash and short-term investments $	Total assets $
July 31, 2018	86,743	16,062	0.59	0.58	178,439	491,269
April 30, 2018	85,205	15,318	0.57	0.56	155,319	487,970
January 31, 2018	85,075	6,813*	0.25	0.25	144,967	471,684
October 31, 2017	84,229	18,900^	0.70	0.69	130,345	461,837
July 31, 2017	82,756	11,182	0.41	0.41	103,800	441,125
April 30, 2017	79,543	9,027	0.34	0.33	87,571	454,090
January 31, 2017	78,840	11,733	0.44	0.43	88,253	416,829
October 31, 2016	78,726	19,912^	0.74	0.73	85,859	419,195

* Includes one time adjustments of $8.8 million relating to The United States Tax Cuts and Jobs Act as described in the Income Tax Expense section of the MD&A

^ Includes credit adjustment to tax provision of $2.6 million in fiscal 2017 and $4.5 million in fiscal 2016 on the recognition of deferred tax assets related to non-capital losses

Results of Operations:

(in thousands of Canadian Dollars except per share amounts)

	Three months ended July 31 2018	Three months ended July 31 2017	Period-over-period change $	Period-over-period change %	Nine months ended July 31 2018	Nine months ended July 31 2017	Period-over-period change $	Period-over-period change %
Interactive Management Group	$ 47,549	$ 46,807	$ 742	1.6	$143,498	$141,438	$ 2,060	1.5
Asset Management Group	39,194	35,949	3,245	9.0	113,525	99,701	13,824	13.9
Total revenue	**86,743**	**82,756**	**3,987**	**4.8**	**257,023**	**241,139**	**15,884**	6.6
Direct costs	25,788	24,987	801	3.2	78,529	75,024	3,505	4.7
Revenue, net of direct costs	**60,955**	**57,769**	**3,186**	**5.5**	**178,494**	**166,115**	**12,379**	**7.5**
As a % of revenue	*70.3%*	*69.8%*			*69.4%*	*68.9%*		
Operating expenses	34,079	35,014	(935)	(2.7)	102,260	98,904	3,356	3.4
Special charges	152	133	19	14.3	333	614	(281)	(45.8)
Results from operating activities	**26,724**	**22,622**	**4,102**	**18.1**	**75,901**	**66,597**	**9,304**	**14.0**
As a % of revenue	30.8%	*27.3%*			*29.5%*	*27.6%*		
Amortization of acquired software and customer relationships	(7,245)	(7,397)	152	2.0	(21,763)	(22,365)	602	2.7
Foreign exchange gains (losses)	659	(806)	1,465	181.8	(465)	(3,027)	2,562	84.6
Finance income	90	32	58	181.3	278	131	147	112.2
Finance expenses	(50)	(65)	15	23.1	(134)	(137)	3	2.2
Other income (expense)	504	(50)	554	1,108.0	1,940	101	1,839	1,820.8
Income before income taxes	**20,682**	**14,336**	**6,346**	**44.3**	**55,757**	**41,300**	**14,457**	**35.0**
Provision for income taxes	4,620	3,154	1,466	46.5	17,564	9,358	8,206	87.7
Net Income	**$ 16,062**	**$ 11,182**	**$ 4,880**	**43.6**	**$ 38,193**	**$ 31,942**	**$ 6,251**	**19.6**
Earnings per share – basic	$ 0.59	$ 0.41	$ 0.18	43.9	$ 1.41	$ 1.19	$ 0.22	18.5
Earnings per share – diluted	$ 0.58	$ 0.41	$ 0.17	41.5	$ 1.40	$ 1.17	$ 0.23	19.7
Cash flow from operating activities	**$ 29,274**	**$ 25,109**	**$ 4,165**	**16.6**	**$ 74,221**	**$ 54,144**	**$20,077**	**37.1**
Cash flow from operating activities excluding changes in working capital	**$ 28,249**	**$ 22,732**	**$ 5,517**	**24.3**	**$ 78,754**	**$ 66,338**	**$12,416**	**18.7**

Adjusted EBITDA:

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, Results from operating activities:

	Three Months ended July 31, 2018	Three Months ended July 31, 2017	Nine Months ended July 31, 2018	Nine Months ended July 31, 2017
Total Revenue	**$ 86,743**	**$ 82,756**	**$ 257,023**	**$ 241,139**
Results from operating activities	**26,724**	**22,622**	**75,901**	**66,597**
Depreciation of property, plant and equipment	540	619	1,869	1,828
Special charges	152	133	333	614
Adjusted EBITDA	**$ 27,416**	**$ 23,374**	**$ 78,103**	**$ 69,039**
Adjusted EBITDA margin	**31.6%**	**28.2%**	**30.4%**	**28.6%**
Adjusted EBITDA per diluted share	**$ 1.00**	**$ 0.86**	**$ 2.86**	**$ 2.53**

Revenue
Total revenue for the quarter was $86.7 million compared to $82.8 million in the prior year's third quarter, a 4.8% increase over the prior year and includes license revenue of $26.2 million in the quarter compared to $24.5 million in the prior year's third quarter. The increase is attributable to contributions from acquisitions and stronger license orders in the Company's Asset Management Division. The positive impact of foreign exchange on revenue in the current quarter compared to the prior year was nominal, estimated at $0.1 million as calculated by applying the change in the average exchange rates from 2017 to 2018 to the Company's foreign currency denominated revenue. Hosted services and maintenance revenue was $44.8 million compared to $43.4 million in the prior year's third quarter, an increase of 3.2%. This includes maintenance revenue of $37.6 million compared to $37.2 million in the prior year's third quarter and reflects incremental maintenance revenue from license sales in the past fiscal year as well as contributions from acquired operations. Hosted services revenue was $7.2 million in the quarter compared to $6.2 million last year and reflects incremental contributions primarily from acquired operations.

Revenue for the year to date was $257.0 million, an increase of 6.6% over last year's revenue of $241.1 million. Hosted and maintenance revenue grew by 7.2% to $131.3 million and hardware revenue grew from $4.4 million to $6.0 million as a result of incremental contributions from the Tollgrade acquisition completed in the second quarter of fiscal 2017. Professional services revenue was up marginally over last year at $43.0 million.

The Interactive Management Group contributed $47.5 million in revenue in the quarter, compared to $46.8 million reported in the third quarter of fiscal 2017. The Asset Management Group contributed revenue of $39.2 million in the quarter, compared to $35.9 million reported in the third quarter of fiscal 2017. The increase is attributable to incremental revenue contributions from acquisitions and incremental license sales in the quarter. For the fiscal year to date, Interactive Management Group revenue was $143.5 million compared to $141.4 million last year, while Asset Management revenue grew 13.9% to $113.5 million from $99.7 million last year primarily as a result of incremental contributions from acquisitions.

Revenue and costs were nominally impacted on a net basis by a stronger Pound Sterling and Euro, which mitigated the net negative impact of the weaker U.S. Dollar on revenue and costs. Of note, the Pound Sterling continues to rebound, averaging $1.74 in the current quarter compared to $1.70 in the prior year's third quarter, which positively impacted revenue. The Euro also continues to strengthen, averaging $1.53 against the Canadian Dollar compared to $1.49 in last year's third quarter, while the U.S. Dollar weakened, compared to its Canadian counterpart, to $1.30 in the current quarter versus $1.32 in the prior year's third quarter. The Swedish Kronor weakened from $0.154 to $0.148 against the Canadian Dollar in the current years' third quarter.

Direct costs
Direct costs for the quarter were $25.8 million or 29.7% of revenue compared to $25.0 million or 30.2% of revenue in the prior year's third quarter. This reflects stronger software license margins net of incremental third party services costs compared to the prior year's third quarter. Direct costs for services include costs for both hosted and maintenance services as well as professional services. Direct costs for the year to date reflect a similar improvement over last year and were $78.5 million or 30.6% of revenue in fiscal 2018 compared to $75.0 million or 31.1% of revenue last year due to improved software and services margins.

On a segment basis, direct costs in the quarter for the Interactive Management Group were $12.2 million or 25.6% of revenue compared to $11.7 million or 24.9% of revenue in the prior year's third quarter. Direct costs for the Asset Management Group were $13.6 million or 34.7% of revenue compared to $13.3 million or 37.1% of revenue in the prior year's third quarter. The direct costs margin percentage in the Asset Management Group has improved year over year as a result of improved margins on licenses and services, while the margins in the Interactive Management Group were relatively flat year over year. The lower overall direct costs margin in the Asset Management segment compared to the Interactive Management Group reflects higher proportional contributions from lower margin professional and hosted services, which were mitigated by strong margins on the sale of proprietary hardware in the Asset Management Group.

Revenue, net of direct costs
Revenue net of direct costs increased by $3.2 million to $61.0 million, or 70.3% of revenue, compared to $57.8 million, or 69.8% of revenue, in the prior year's third quarter. For the fiscal year, revenue net of direct

costs was $178.5 million (69.4% of revenue) compared to $166.1 million (68.9%) last year to date. The increase in revenue, net of direct costs is primarily attributable to incremental contributions from acquisitions and improved margins on services and third party software in the quarter and year to date compared to prior year's third quarter and year to date.

Operating Expenses

Operating expenses for the quarter were $34.2 million, compared to $35.1 million reported in the third quarter of last year. Operating expenses include incremental operating costs related to newly acquired operations and a nominal impact of translation of foreign currency denominated expenses to Canadian Dollars in the quarter compared to the prior quarter.

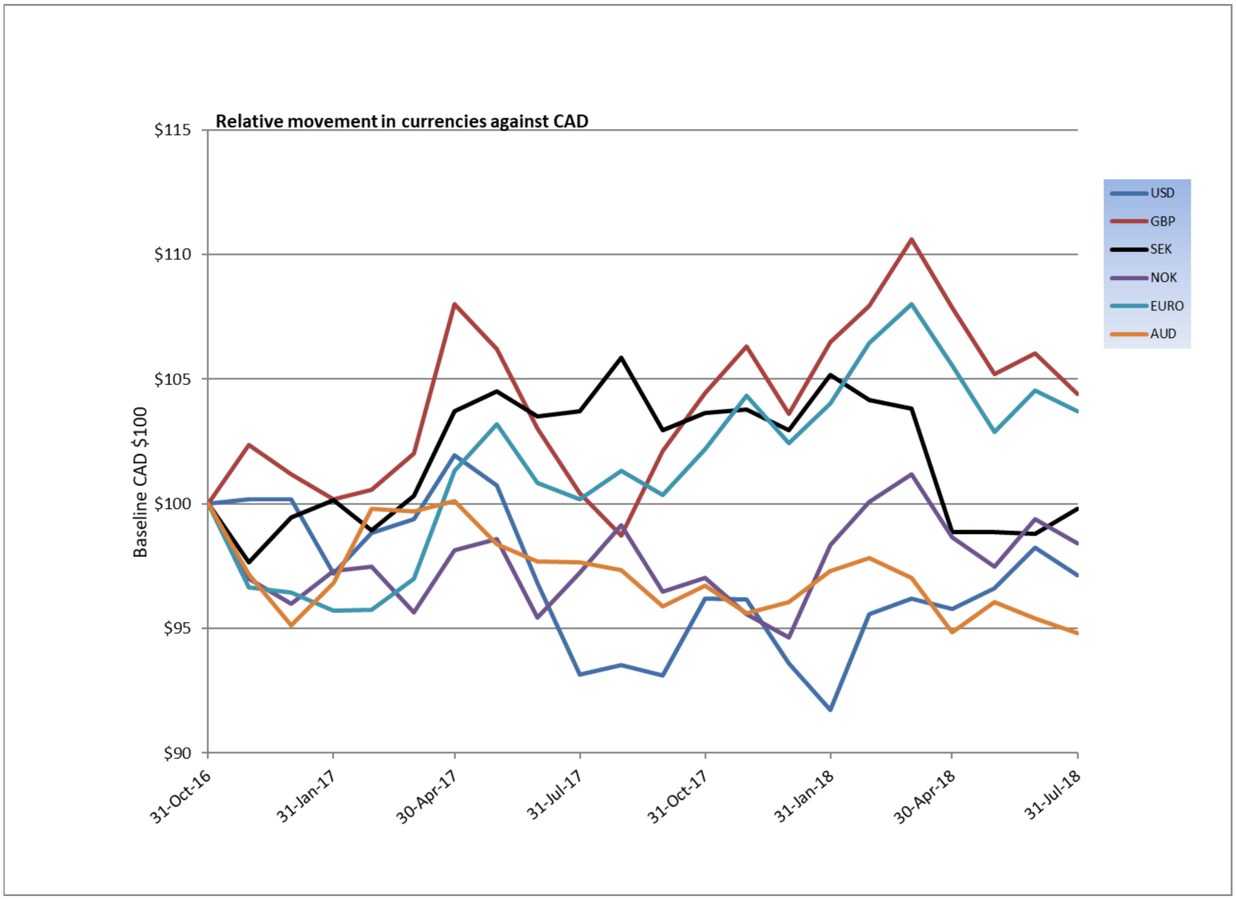
The third quarter's operating expenses included $0.2 million (Q3/17 - $0.1 million) in special charges related to acquisitions completed in the respective prior quarters. Excluding special charges, operating expenses were 39.3% of revenue in the current quarter compared to 42.3% in prior year's third quarter, primarily attributable to positive contributions from acquisitions as well as cost synergies and reduced headcount in traditional operations. For the fiscal year to date, operating costs as a percentage of revenue improved over last year at 39.8% of revenue ($102.3 million) compared to 41.0% ($98.9 million) last year.

The Company continues to invest in R&D and recorded expenses of $11.7 million, or 13.4%, as a percentage of revenue in the quarter compared to $11.5 million, or 13.9%, in the prior year's third quarter. For the year to date, R&D as a percentage of revenue was 14.0% compared to 13.9% last year. Research and development expenses are net of government grants and investment tax credits.

Non-cash charges for amortization of acquired software and customer relationships related to acquisitions were $7.2 million, down from the prior year's third quarter expense of $7.4 million as a result of expiring amortization charges from previous acquisitions, which more than offset amortization from new acquisitions. On a year to date basis, amortization expense was $21.8 million, a 2.7% reduction from the prior year.

Foreign Exchange

The Company continues to earn a significant portion of revenue from sales denominated in currencies other than the Canadian Dollar. As a result of the Company's global operations, the Company transacts a significant portion of its business in foreign countries with its revenue and costs denominated in a number of currencies including the U.S. Dollar, Pound Sterling, Euro, Swedish, Norwegian and Danish Krona, as well as currencies in the Asia Pacific region. The chart below outlines the movement in the currencies against the Canadian Dollar on a quarterly basis.



Exchange rate source: Bank of Canada Currency Rates

During the third quarter, the Canadian Dollar strengthened against the U.S. Dollar and Swedish Krona but weakened against the Euro and Pound Sterling compared to last year's third quarter, which impacted the foreign exchange translation of Enghouse's operating results. As the Company's reporting currency is the Canadian Dollar, overall there was a nominal positive impact to revenue reported in Canadian Dollars and a nominal negative impact to operating costs, which partially act as a natural hedge. Overall, revenue was positively impacted by an estimated $0.1 million, while the impact on costs was nominal, as calculated by applying the change in the average exchange rates from Q3/17 to Q3/18 to the Company's foreign currency denominated revenue and operating expenses in the third quarter of fiscal 2018. On a year-to-date basis, revenue was positively impacted due to foreign exchange by an estimated $3.2 million, while costs increased by an estimated $2.1 million.

The Company does not hedge foreign currency exposure but funds its U.S. Dollar operating expenses with U.S. Dollar revenue in order to mitigate exposure. A similar natural hedge exists for the Company's U.K., European and Scandinavian operations. Fluctuations in exchange rates among the Canadian Dollar, U.S. Dollar, Pound Sterling, Swedish Krona, Euro and other currencies may have a material but mitigating effect on the Company's foreign currency denominated revenue and expenses stated in Canadian Dollars. This will also impact the relative cost of foreign currency denominated acquisitions stated in Canadian Dollars.

The Company recorded foreign exchange gains of $0.7 million related to the revaluation of foreign currency denominated monetary assets and liabilities in the current year's third quarter, compared to losses of $0.8 million in the prior year's third quarter. The gain recorded reflects the impact of the U.S. Dollar, which weakened during the current year, on the Company's U.S Dollar denominated monetary liabilities held outside of the U.S, as well as the positive impact stemming from the revaluation of Euro and Pound Sterling denominated assets. On a year-to-date basis, the Company recorded foreign exchange losses of $0.5 million compared to losses of $3.0 million in the prior year comparative period, which primarily reflects the impact of the U.S. Dollar, which has weakened year-over-year, on the Company's U.S Dollar denominated monetary assets and liabilities held outside of the U.S. The Company reports foreign exchange gains and losses below the results from operating activities in its condensed consolidated interim statements of operations. Translation gains or losses recognized upon consolidation of the Company's foreign operation's financial statements into Canadian Dollars are included in the Company's accumulated other comprehensive income (loss) account on the condensed consolidated interim statements of financial position.

Finance and Other Income

During the quarter, the Company recognized finance income and other income of $0.6 million compared to nominal finance income and other income in the third quarter of fiscal 2017. For the fiscal year to date, the Company reported finance and other income of $2.2 million compared to $0.2 million last year. The increase reflects gains on the sale of equity positions in the quarter and year to date.

Income Tax Expense

During the quarter, the Company recorded a tax expense of $4.6 million (22.3% effective tax rate) as compared to a tax expense of $3.2 million (22.0% effective tax rate) in the prior year's third quarter. The Company paid $ 5.0 million in tax installments in the quarter and $2.2 million in the prior year's third quarter. For the fiscal year to date, the Company booked a provision of $17.6 million compared to $9.4 million last year, with the increase being attributable to the impact of U.S. Tax Reform. The Company paid $11.1 million in tax installments year to date compared to $9.9 million last year.

On December 22, 2017, The United States Tax Cuts and Jobs Act ("U.S. Tax Reform") was enacted in the U.S. While this should decrease the Company's tax rate going forward, there were significant one-time charges that adversely impacted the Company's tax provision booked in the first quarter. The significant changes included: (i) the revaluation of deferred tax assets and liabilities on the reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018; and (ii) the deemed repatriation of earnings and profits of specified foreign corporations effective December 31, 2017. This resulted in an estimated one-time repatriation tax charge of $8.8 million that was recorded in the first quarter of fiscal 2018. The repatriation tax is payable over eight years at a rate of 8% for each of the first five years and increasing thereafter on a graduated basis. The Company continues to assess the impact of U.S. Tax Reform and may make changes in estimates based on interpretations and assumptions as they become available.

Net Income

Net income was $16.1 million, or $0.58 per share on a diluted basis, in the quarter compared to $11.2 million, or $0.41 per share on a diluted basis, in the third quarter of fiscal 2017. The increase is attributable to revenue contributions from acquisitions as well as operating cost synergies. On a year to date basis, net income was $38.2 million or $1.40 per diluted share compared to $31.9 million or $1.17 per diluted share. As noted, the year to date net income was negatively impacted by the provision for the one-time repatriation tax charge of $8.8 million booked in the first quarter.

Liquidity and Capital Resources:

The Company closed the quarter with record cash and short-term investments of $178.4 million, compared to the October 31, 2017 balance of $130.3 million due to strong collection efforts. The Company continues to have sufficient cash resources to fund both its current and future financial operating commitments as well as its dividend strategy. During the quarter the Company generated cash flow from operating activities of $29.3 million compared to $25.1 million in the third quarter of 2017, an increase of 16.6%. For the year to date, cash flow from operating activities was $74.2 million, a 37.1% increase over last year's operating cash flow of $54.1 million.

The Company had 27,215,712 Common Shares issued and outstanding as at September 6, 2018. During the third quarter, 105,100 stock options were exercised contributing $2.7 million compared to 8,250 stock options and $0.2 million in cash to the Company in the prior year's third quarter. The Company did not grant options in the third quarter of 2018 (10,000 – 2017). Enghouse did not repurchase any shares of its common stock in either year's third quarter under its Normal Course Issuer Bid, whereby it may repurchase up to a maximum of 1,939,371 common shares of the Company.

Off-Balance Sheet Arrangements
The Company has not entered into off-balance sheet financing arrangements. Except for operating leases and other low probability and/or immeasurable contingent liabilities (not accrued in accordance with IFRS), all material commitments are reflected on the Company's Statement of financial position.

Transactions with Related Parties
The Company has not entered into any transactions with related parties during the year, other than transactions between wholly owned subsidiaries and the Company in the normal course of business, which are eliminated on consolidation.

Risks and Uncertainties
The primary risks and uncertainties that affect or may affect the Company and its business, financial condition, and results of operations remain substantially unchanged from those discussed in the Company's latest Annual Information Form and its Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended October 31, 2017, contained in the Company's 2017 Annual Report to Shareholders and all such risks and uncertainties are incorporated herein by reference.

Controls and Procedures
In compliance with the Canadian Securities Administrators' National Instrument 52-109 ("NI 52-109"), the Company has filed with applicable Canadian securities regulatory authorities, certificates signed by its Chief Executive Officer ("CEO") and Vice President Finance in capacity as Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design of internal controls over financial reporting.

Disclosure Controls and Procedures
Disclosure controls and procedures have been designed under the supervision of the CEO and CFO, with the participation of other management, to provide reasonable assurance that all relevant information required to be disclosed by the Company is recorded, processed, summarized and reported on a timely basis to senior management, as appropriate, to allow timely decisions regarding required public disclosure. Pursuant to NI 52-109, as of October 31, 2017, an evaluation of the effectiveness of the Company's disclosure controls and procedures was carried out under the supervision of the CEO and CFO. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective. This evaluation considered the Company's disclosure policy, a sub-certification process and the functioning of the Company's Disclosure Committee.

Internal Controls over Financial Reporting
The Company's CEO and CFO are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS.

At October 31, 2017, an evaluation was carried out of the effectiveness of the design and operation of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting. Based on that evaluation, the Company's CEO and CFO have concluded that, as at October 31, 2017, the design and operation of controls over financial reporting was effective. These evaluations were conducted in accordance with the standards established in "Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission", and the requirements of NI 52-109. The control framework used by the CEO and the CFO to design the Company's internal control over financial reporting is the "Internal Control – Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

There were no changes to the Company's internal control over financial reporting during the quarter ended July 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional Information

Additional information relating to the Company including our most recently completed Annual Information Form ("AIF") is available on SEDAR at ***www.sedar.com*** and on the Company's website at ***www.enghouse.com***.

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended July 31, 2018 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian Dollars)
(Unaudited)

	July 31 2018	October 31 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 169,765	$ 120,608
Short-term investments	8,674	9,737
Accounts receivable, net	66,829	71,894
Prepaid expenses and other assets	9,502	8,528
	254,770	**210,767**
Non-current assets:		
Long-term deposits and accounts receivable, net	1,295	1,002
Property, plant and equipment	5,178	5,322
Intangible assets (Note 4)	67,042	79,714
Goodwill (Note 4)	157,154	150,687
Deferred income tax assets	5,830	14,345
Total assets	**$ 491,269**	**$ 461,837**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 45,550	$ 54,656
Income taxes payable	1,355	6,018
Dividends payable	4,899	4,319
Provisions (Note 5)	277	1,521
Deferred revenue	69,956	59,104
Current portion of long-term loans	202	468
	122,239	**126,086**
Non-current liabilities:		
Non-current portion of income taxes payable	9,218	-
Deferred income tax liabilities	14,651	21,449
Deferred revenue	2,421	3,337
Net employee defined benefit obligation	2,398	2,328
Long-term loans	1,785	2,238
Total liabilities	**152,712**	**155,438**
Shareholders' Equity		
Share capital (Note 6)	77,312	71,422
Contributed surplus	4,823	4,715
Retained earnings	245,866	221,775
Accumulated other comprehensive income	10,556	8,487
Total shareholders' equity	**338,557**	**306,399**
Total liabilities and shareholders' equity	**$ 491,269**	**$ 461,837**

Commitments and contingencies (Note 12)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

(in thousands of Canadian dollars, except per share amounts)
(Unaudited)

	Three months ended July 31 2018	Three months ended July 31 2017	Nine months ended July 31 2018	Nine months ended July 31 2017
Revenue				
Software licenses	$ 26,213	$ 24,480	$ 76,724	$ 72,469
Hosted and maintenance services	44,783	43,411	131,319	122,487
Professional services	14,123	12,979	42,972	41,799
Hardware	1,624	1,886	6,008	4,384
	86,743	**82,756**	**257,023**	**241,139**
Direct costs				
Software licenses	1,740	1,749	5,467	5,311
Services	22,990	22,211	69,335	67,060
Hardware	1,058	1,027	3,727	2,653
	25,788	**24,987**	**78,529**	**75,024**
Revenue, net of direct costs	**60,955**	**57,769**	**178,494**	**166,115**
Operating expenses				
Selling, general and administrative	21,884	22,870	64,432	63,644
Research and development	11,655	11,525	35,959	33,432
Depreciation of property, plant and equipment	540	619	1,869	1,828
Special charges (Note 5)	152	133	333	614
	34,231	**35,147**	**102,593**	**99,518**
Results from operating activities	**26,724**	**22,622**	**75,901**	**66,597**
Amortization of acquired software and customer relationships	(7,245)	(7,397)	(21,763)	(22,365)
Foreign exchange gains (losses)	659	(806)	(465)	(3,027)
Finance income	90	32	278	131
Finance expenses	(50)	(65)	(134)	(137)
Other income (expense)	504	(50)	1,940	101
Income before income taxes	**20,682**	**14,336**	**55,757**	**41,300**
Provision for income taxes (Note 8)	4,620	3,154	17,564	9,358
Net income for the period	**$ 16,062**	**$ 11,182**	**$ 38,193**	**$ 31,942**
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation (loss) gain from foreign operations	(3,929)	(12,097)	1,331	(4,119)
Unrealized gain (loss) on available for sale investments	625	5	851	(2,440)
Deferred income tax (expense) recovery	(83)	(1)	(113)	323
Other comprehensive (loss) income	**(3,387)**	**(12,093)**	**2,069**	**(6,236)**
Comprehensive income (loss)	**$ 12,675**	**$ (911)**	**$ 40,262**	**$ 25,706**
Earnings per share				
Basic	$ 0.59	$ 0.41	$ 1.41	$ 1.19
Diluted	$ 0.58	$ 0.41	$ 1.40	$ 1.17

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

(in thousands of Canadian Dollars)
(Unaudited)

	Share Capital -number	Share capital $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive income (loss) $	Total $
Balance – November 1, 2017	**26,993,212**	**71,422**	**4,715**	**221,775**	**8,487**	**306,399**
Net income	-	-	-	38,193	-	38,193
Other comprehensive income (net of tax):						
Cumulative translation adjustment	-	-	-	-	1,331	1,331
Unrealized gain on available-for-sale investments	-	-	-	-	851	851
Deferred income tax expense	-	-	-	-	(113)	(113)
Comprehensive income for the period	**-**	**-**	**-**	**38,193**	**2,069**	**40,262**
Employee share options:						
Value of services recognized	-		1,171	-	-	1,171
Proceeds on issuing shares	222,500	5,890	(1,063)	-	-	4,827
Dividends	-	-	-	(14,102)	-	(14,102)
Balance – July 31, 2018	**27,215,712**	**77,312**	**4,823**	**245,866**	**10,556**	**338,557**
Balance – November 1, 2016	**26,906,962**	**69,555**	**3,875**	**187,649**	**7,469**	**268,548**
Net income	-	-	-	31,942	-	31,942
Other comprehensive income (net of tax):						
Cumulative translation adjustment	-	-	-	-	(4,119)	(4,119)
Unrealized loss on available-for-sale investments	-	-	-	-	(2,440)	(2,440)
Deferred income tax recovery	-	-	-	-	323	323
Comprehensive income for the period	**-**	**-**	**-**	**31,942**	**(6,236)**	**25,706**
Employee share options:						
Value of services recognized	-	-	809	-	-	809
Proceeds on issuing shares	53,750	1,000	(187)	-	-	813
Dividends	-	-	-	(12,397)	-	(12,397)
Balance – July 31, 2017	**26,960,712**	**70,555**	**4,497**	**207,194**	**1,233**	**283,479**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian Dollars)
(Unaudited)

	Three months ended July 31 2018	Three months ended July 31 2017	Nine months ended July 31 2018	Nine months ended July 31 2017
Cash flows from operating activities				
Net income	$ 16,062	$ 11,182	$38,193	$ 31,942
Adjustments for:				
Depreciation of property, plant and equipment	540	619	1,869	1,828
Amortization of acquired software and customer relationships	7,245	7,397	21,763	22,365
Stock-based compensation expense	236	265	1,171	809
Provision for income taxes	4,620	3,154	17,564	9,358
Finance expenses and other income	(454)	115	(1,806)	36
	28,249	**22,732**	**78,754**	**66,338**
Changes in non-cash operating working capital (Note 13)	6,041	4,595	6,608	(2,290)
Income taxes paid	(5,016)	(2,218)	(11,141)	(9,904)
Net cash flows from operating activities	**29,274**	**25,109**	**74,221**	**54,144**
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(607)	(106)	(1,538)	(1,025)
Purchase of other software	-	(255)	-	(1,475)
Acquisitions, net of cash acquired of $1,235 (2017- $3,637) (Note 10)	-	-	(9,675)	(16,170)
Purchase consideration for prior period acquisitions (Note 10)	(1,866)	(579)	(6,945)	(1,023)
Net sale (purchase) of short-term investments	1,754	(196)	2,486	(1,526)
Net cash flows used in investing activities	**(719)**	**(1,136)**	**(15,672)**	**(21,219)**
Cash flows from financing activities				
Issuance of share capital	2,699	244	4,827	813
Repayment of loans	(334)	-	(735)	(1,667)
Payment of cash dividend	(4,880)	(4,312)	(13,523)	(11,850)
Net cash flows used in financing activities	**(2,515)**	**(4,068)**	**(9,431)**	**(12,704)**
Effect of currency translation adjustments on cash and cash equivalents	(1,890)	(3,571)	39	(1,419)
Net increase in cash and cash equivalents during the period	**24,150**	**16,334**	**49,157**	**18,802**
Cash and cash equivalents - beginning of period	145,615	80,904	120,608	78,436
Cash and cash equivalents - end of period	**$ 169,765**	**$ 97,238**	**$169,765**	**$ 97,238**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2018 and 2017
(Unaudited, in thousands of Canadian Dollars, except as indicated)

1. Description of the business and reporting entity
Enghouse Systems Limited ("Enghouse Systems") and its wholly owned subsidiaries (together the "Company" or "Enghouse") develop enterprise software solutions for a number of vertical markets. The Company is organized around two business segments: the Interactive Management Group and the Asset Management Group. The Interactive Management Group specializes in customer interaction software and services that are designed to enhance customer service, increase efficiency and manage customer communications across the enterprise. The Asset Management Group provides products and services to telecom service providers as well as fleet management and public safety software solutions to transportation, government, first responders, distribution, security, utilities and oil and gas industries. Enghouse Systems is incorporated and domiciled in Canada. The address of its registered office is 80 Tiverton Court, Suite 800, Markham, Ontario, L3R 0G4. The Company has offices around the world including the United States, the United Kingdom, Sweden, Norway, Denmark, Belgium, Germany, Ireland, Australia, New Zealand, Israel, Lebanon, Romania, Italy, Spain, Colombia and Croatia.

2. Basis of preparation

(a) Statement of compliance
These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, '*Interim financial reporting'*. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2017, which have been prepared in accordance with IFRS. These unaudited condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors for issue on September 6, 2018.

(b) Basis of preparation and measurement
These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34*, Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies disclosed in Note 3 of the Company's 2017 annual consolidated financial statements. They have been prepared on the historical cost basis except for available-for-sale financial assets, certain assets and liabilities initially recognized in connection with business combinations, and derivative financial instruments, which are measured at fair value.

The policies applied in these unaudited condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of September 6, 2018. Any subsequent changes to IFRS that are applied retroactively in the Company's annual consolidated financial statements for the year ending October 31, 2018 could result in changes to these unaudited condensed consolidated interim financial statements.

(c) Functional and presentation of currency
The Company's subsidiaries generally operate in their local currency environment. Accordingly, items included in the financial statements of each legal entity consolidated within the Enghouse group are measured using the currency of the primary economic environment in which the legal entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian Dollars, which is also Enghouse Systems' functional currency.

(d) Use of estimates and judgments
The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended October 31, 2017.

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

New Standards and interpretations issued but not yet applied

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") – IFRS 15 is a new standard effective for fiscal years beginning on or after January 1, 2018 and may be early adopted. The standard contains a single model for revenue recognition that applies to contracts with customers. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on November 1, 2018. The standard can be applied either (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients or (ii) retrospectively with the cumulative effect recognized at the date of initial adoption and providing certain additional disclosures.

The standard contains a single model for revenue recognition that applies to contracts with customers, which supersedes current revenue recognition guidance, including industry specific guidance. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue should be recognized. The new standard also provides guidance on whether revenue should be recognized over time or at a point in time as well as requirements for more informative disclosures. New estimation methodology and judgement-based thresholds have been introduced that may affect the amount and/or timing of revenue recognition.

The Company continues to assess the potential impact of applying the new standard; however, based on its preliminary assessment, the Company currently anticipates that the standard will affect the accounting for the following items:

- Term-based licenses – under current standards, license revenue on certain term-based licenses is recognized ratably over the contract term. Under IFRS 15, Enghouse expects the timing of the license revenue on certain term-based licenses to change with recognition at the time the license is delivered to the customer.
- Capitalization of costs to acquire contracts – under the Company's current accounting policies, Enghouse generally expenses incremental commission costs as they are earned by employees. Under IFRS 15, the Company expects to capitalize and amortize commission costs that relate to contracts of more than one year on a systematic basis, consistent with the pattern of transfer of the goods or services to which the commission costs relate.
- Increased disclosure of revenue, performance obligations and contract asset and liability balances.

The Company has yet to quantify the impact of the above noted differences under IFRS 15. The Company expects to adopt IFRS 15 using the modified retrospective (cumulative effect) approach when this guidance becomes effective, starting in the first quarter of our fiscal year ending October 31, 2019.

The Company has appointed a project team to manage the adoption and compliance with IFRS 15. The team is responsible for analyzing contracts, reviewing existing accounting policies and determining and quantifying differences between existing policies and IFRS 15. The team is also responsible for reviewing the Company's systems and data collection processes and will develop and implement new policies and processes to ensure that data is properly captured to meet the requirements of the new revenue standard. The team will also develop a plan for communicating the impact to the Company's stakeholders. The Company will provide further updates during fiscal 2018 as it continues to execute its implementation plan.

IFRS 9 - Financial Instruments ("IFRS 9") – IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, updated and further amended in October 2010, November 2013, July 2014 and December 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories:

- Financial assets measured at fair value; or
- Financial assets measured at amortized cost.

The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument, which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income ("OCI"). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date until the asset is derecognized or reclassified. IFRS 9 also includes a new general hedge accounting standard, which will align hedge accounting more closely with risk management.

In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model, which involves a three-stage approach whereby, financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (i.e. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The Company has yet to assess IFRS 9's full impact and intends to adopt IFRS 9 in the accounting period beginning on November 1, 2018.

IFRS 16 Leases ("*IFRS 16*") - IFRS 16 is a new standard effective for fiscal years beginning on or after January 1, 2019. The standard replaces current guidance under IAS 17 and no longer distinguishes between a finance lease and an operating lease for lessees. Instead, for virtually all lease contracts the lessee recognises a lease liability reflecting future lease payments and a 'right-of-use' asset. Lessor accounting remains somewhat similar as under IAS 17. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on November 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2018 and 2017
(Unaudited, in thousands of Canadian Dollars, except as indicated)

4. Intangible assets and Goodwill

	Acquired Software $	Capitalized Software $	Customer Relationships $	Total Intangibles $	Goodwill $
At November 1, 2017					
Cost	150,608	3,592	100,211	**254,411**	**150,687**
Accumulated amortization	(115,614)	(667)	(58,416)	**(174,697)**	**-**
Net book value	**34,994**	**2,925**	**41,795**	**79,714**	**150,687**
Period ended July 31, 2018					
Opening net book value	**34,994**	**2,925**	**41,795**	**79,714**	**150,687**
Acquisitions	4,785	-	3,765	**8,550**	**4,659**
Amortization	(11,816)	(534)	(9,413)	**(21,763)**	**-**
Purchase Price Adjustments	-	-	-	**-**	**(698)**
Exchange difference	249	(19)	311	**541**	**2,506**
Closing net book value	**28,212**	**2,372**	**36,458**	**67,042**	**157,154**
At July 31, 2018					
Cost	155,393	3,592	103,976	**262,961**	**157,154**
Accumulated amortization	(127,181)	(1,220)	(67,518)	**(195,919)**	**-**
Net book value	**28,212**	**2,372**	**36,458**	**67,042**	**157,154**

5. Provisions

Provisions include provisions for onerous contracts, legal claims, restructuring and special charges, and are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

	Total
At November 1, 2017	**$ 1,521**
Additional provisions	473
Unused amounts reversed	(543)
Utilized during the period	(1,171)
Effect of movements in foreign exchange	(3)
At July 31, 2018	**$ 277**

6. Share capital and other components of shareholder's equity

Capital Stock

The authorized share capital of the Company consists of an unlimited number of common shares, an unlimited amount of Class A, redeemable, retractable, non-voting, non-cumulative, preference shares and an unlimited number of Class B, redeemable, retractable, non-voting, preference shares. There were 27,215,712 common shares outstanding as at July 31, 2018. There were no Class A and no Class B preference shares issued and outstanding as at either October 31, 2017 or July 31, 2018.

Common share repurchase plan

On April 26, 2018, the Company renewed its common share repurchase plan, whereby it may repurchase up to a maximum of 1,939,371 common shares of the Company, expiring on April 29, 2019. The Company did not repurchase any common shares in either fiscal 2018 or fiscal 2017.

Notes to Condensed Consolidated Interim Financial Statements
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(Unaudited, in thousands of Canadian Dollars, except as indicated)

Accumulated other comprehensive income (loss)
Accumulated other comprehensive income (loss) is comprised of the following separate components of equity:

	Translation of Foreign Operations $	Unrealized gains/losses on Available for sale assets $	Total $
At October 31, 2016	**$ 7,210**	**$ 259**	**$ 7,469**
Currency translation differences	(4,119)	-	(4,119)
Unrealized losses on available-for-sale financial assets net of income tax recovery of $323	-	(2,117)	(2,117)
At July 31, 2017	**$ 3,091**	**$ (1,858)**	**$ 1,233**
At October 31, 2017	**$ 8,555**	**$ (68)**	**$ 8,487**
Currency translation differences	1,331	-	1,331
Unrealized gains on available-for-sale financial assets net of income tax expense of $113	-	738	738
At July 31, 2018	**$ 9,886**	**$ 670**	**$ 10,556**

Dividends
During the three months ended July 31, 2018, the Company declared and paid dividends of $0.18 and $0.18, respectively, per common share (three months ended July 31, 2017 - $0.16 and $0.16 per common share).

7. Stock-based Compensation
The Company has granted options to purchase common shares to certain directors, officers and employees of the Company, pursuant to the terms of the Company's stock option plan (the "Plan"). The Plan provides that a total of 1,165,950 (July 31, 2017 – 1,420,950) common shares are reserved for options and that the shares reserved for options, which could become exercisable in any one year, will not exceed more than 10% of the issued and outstanding common shares of the Company at the time such options may be exercisable. These options vest at various times over four years and expire seven years after the grant date. The exercise price of each option equals the market price of the Company's stock on the date the options are granted.

A summary of the status of the Company's Plan as at July 31, 2018 and July 31, 2017, and changes during the three months ended respectively on those dates is presented as follows:

Three months ended:	**July 31, 2018**		**July 31, 2017**	
	Number of Options	**Weighted Average Exercise Price in $**	**Number of Options**	**Weighted Average Exercise Price in $**
Outstanding at beginning of period	983,850	45.81	946,000	38.25
Granted	-	-	10,000	55.00
Exercised	(105,100)	25.68	(8,250)	29.73
Forfeited	(70,500)	56.68	(30,000)	52.98
Outstanding at end of period	**808,250**	**47.48**	**917,750**	**38.03**
Options exercisable at end of period	**333,250**	**31.80**	**512,750**	**24.21**

(Unaudited, in thousands of Canadian Dollars, except as indicated)

Nine months ended:	July 31, 2018		July 31, 2017	
	Number of Options	Weighted Average Exercise Price in $	Number of Options	Weighted Average Exercise Price in $
Outstanding at beginning of period	920,250	39.04	741,500	29.34
Granted	195,000	61.63	265,000	59.69
Exercised	(222,500)	21.70	(53,750)	15.12
Forfeited	(84,500)	56.07	(35,000)	52.99
Outstanding at end of period	**808,250**	**47.48**	**917,750**	**38.03**
Options exercisable at end of period	**333,250**	**31.80**	**512,750**	**24.21**

The Company uses the fair value method for recording compensation expense related to equity instruments awarded to employees, officers and directors in accordance with IFRS 2. For the purposes of expensing stock options, each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The Company recorded a non-cash charge of $236 in the third quarter (Q3/2017 - $265) and $1,171 for the year to date ($809 fiscal 2017 year to date).

For options granted in the period, the fair value of each stock option on the date of the grant was estimated using the Black-Scholes option pricing model as set out below. Estimated volatility is calculated on a daily basis using historical closing prices, as adjusted for certain events that management deemed to be non-recurring and non-indicative of future events over a five year period, which reflects the expected life of the options.

	Options Granted FY 2018	Options Granted FY 2017
Risk-free interest rate (%)	1.77%-1.94%	0.60%-1.02%
Estimated volatility (%)	27% – 28%	26%-27%
Dividend yield	$0.64	$0.64
Expected life (in years)	3.5	3.5
Weighted average fair value (in Dollars)	$12.80	$11.57
Weighted average share price at grant date	$61.63	$59.69

There were 195,000 options granted in the first nine months ended July 31, 2018 (265,000 – 2017).

8. Income tax

Income tax expense is recognized based on management's best estimate of the estimated annual income tax rate expected for the full financial year applied to the pre-tax income for the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and the relative mix of income earned in differing jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined for the consolidated group.

On December 22, 2017, The United States Tax Cuts and Jobs Act ("U.S. Tax Reform") was enacted in the U.S. While this should decrease the Company's tax rate going forward there were significant one-time charges that adversely impacted the Company's tax provision booked in the first quarter. The significant changes included: (i) the revaluation of deferred tax assets and liabilities on the reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018; and (ii) the deemed repatriation of earnings and profits of specified foreign corporations effective December 31, 2017. This resulted in an estimated one-time repatriation tax charge of $8.8 million that was recorded in the first quarter of fiscal 2018. The repatriation tax is payable over eight years at a rate of 8% for each of the first five years and

Notes to Condensed Consolidated Interim Financial Statements
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(Unaudited, in thousands of Canadian Dollars, except as indicated)

increasing thereafter on a graduated basis. The Company continues to assess the impact of U.S. Tax Reform and may make changes in estimates based on interpretations and assumptions as they become available.

For the quarter, the Company recorded a tax expense of $4.6 million (or 22.3% effective tax rate) as compared to a tax expense of $3.2 million (22.0%) in the prior year's third quarter.

9. Earnings per share:

Basic: Basic earnings per share are calculated by dividing the net income attributable to owners of the parent by the weighted average number of common shares issued and outstanding during the period.

	Three months ended July 31 2018	2017	Nine months ended July 31 2018	2017
Net income attributable to owners of the parent	$ 16,062	$ 11,182	$ 38,193	$ 31,942
Weighted average number of common shares in issue	27,190	26,954	27,076	26,938
Basic earnings per share	**$ 0.59**	**$ 0.41**	**$ 1.41**	**$ 1.19**

Diluted: Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding assuming conversions of all dilutive potential common shares. The Company has only stock options as potential dilutive common shares. For stock options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined using the average market share price of the Company's outstanding shares for the period) based on the monetary value of the subscription rights attached to the stock options. The number of shares calculated above is compared to the number of shares that would have been issued assuming the exercise of the stock options.

	Three months ended July 31 2018	2017	Nine months ended July 31 2018	2017
Net income attributable to owners of the parent	$ 16,062	$ 11,182	$ 38,193	$ 31,942
Weighted average number of common shares in issue	27,190	26,954	27,076	26,938
Adjustments for:				
Stock options	282	313	224	308
Weighted average number of common shares for diluted earnings per share	27,472	27,267	27,300	27,246
Diluted earnings per share	**$ 0.58**	**$ 0.41**	**$ 1.40**	**$ 1.17**

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2018 and 2017
(Unaudited, in thousands of Canadian Dollars, except as indicated)

10. Acquisitions
Acquisitions have been recorded under the acquisition method of accounting and results have been included in the consolidated statements of operations from their respective acquisition dates. Accordingly, the allocation of the purchase price to assets and liabilities is based on the fair value, with the excess of the purchase price over the fair value of the assets acquired being allocated to goodwill.

2018 Acquisitions

Asset Management Group
The Company has completed three acquisitions year to date, acquiring 100% of the issued and outstanding common shares or assets for an aggregate purchase price of approximately $11.6 million, with $0.7 million subject to hold back and adjustment and $1.2 million held in escrow that is subject to adjustment. The purchase price allocation for these acquisitions has not yet been finalized as it is subject to the receipt of additional information. Results are included in the Asset Management Group from the date of acquisition.

2017 Acquisitions:

Asset Management Group
The Company completed one acquisition, in April 2017, to acquire 100% of the issued and outstanding common shares for an aggregate cash purchase price of approximately $22.7 million. Of this amount, $0.9 million remains subject to hold back and adjustment on receipt of additional information. Results were included in the Asset Management Group from date of acquisition.

Interactive Management Group
The Company completed one acquisition, in September 2017, acquiring 100% of the issued and outstanding common shares for an aggregate cash purchase price of approximately $3.0 million. Of this amount, approximately $0.3 million is held in escrow and remains subject to adjustment. The purchase price allocation has not been finalized subject to receipt of additional information. Results were included in the Interactive Management Group from date of acquisition.

The Company's purchase price allocations are as follows:

	Asset Management Group Preliminary 2018	Interactive Management Group Preliminary 2017	Asset Management Group Final 2017
Cash and cash equivalents	$ 1,235	$ 239	$ 3,637
Accounts receivable, net	2,182	589	6,150
Prepaid expenses and other assets	578	86	981
Property, plant and equipment	204	-	98
Deferred income tax assets	-	253	3,496
Acquired software	4,785	718	5,679
Customer relationships	3,765	2,078	12,439
Goodwill	4,659	1,122	4,659
Total assets acquired	**$ 17,408**	**$ 5,085**	**$ 37,139**
Less: Current liabilities assumed	$ 3,929	$ 1,033	$ 6,679
Less: Deferred income tax liabilities	1,890	1,019	5,514
Less: Other long-term liabilities	-	-	2,259
Total liabilities assumed	**$ 5,819**	**$ 2,052**	**$ 14,452**
Net assets acquired for cash consideration	**$ 11,589**	**$ 3,033**	**$ 22,687**

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2018 and 2017

(Unaudited, in thousands of Canadian Dollars, except as indicated)

11. Segmented information

The Company has two operating segments, the Interactive Management Group and the Asset Management Group, based on the nature of the operations and markets that each of these segments serves. The accounting policies followed by these segments are the same as those described in the summary of significant accounting policies.

The Company's operating segments each develop and market software products and provide services for their respective markets and are inclusive of the current year acquisitions. The Interactive Management Group specializes in customer interaction software and services designed to enhance customer service, increase efficiency and manage customer communications across the enterprise. The Asset Management Group provides a portfolio of products to telecom service providers as well as fleet management and public safety software solutions for the transportation sector, government, first responders, distribution, security, utilities and oil and gas industries. The Company evaluates segment performance based on revenue and profit or loss before income taxes.

	Interactive Management Group	Asset Management Group	Total
Three months ended July 31, 2018			
Revenue	$ 47,549	$ 39,194	$ 86,743
Operating expenses excluding non-cash charges	(31,417)	(24,948)	(56,365)
Special Charges	-	(152)	(152)
Depreciation of property, plant and equipment	(408)	(132)	(540)
Segmented profit	**$ 15,724**	**$ 13,962**	**$ 29,686**
Corporate expenses			(2,962)
Results from operating activities			**$ 26,724**
Amortization of acquired software and customer relationships			(7,245)
Foreign exchange gain			659
Finance income			90
Finance expenses			(50)
Other income			504
Income before income taxes			**$ 20,682**

	Interactive Management Group	Asset Management Group	Total
Three months ended July 31, 2017			
Revenue	$ 46,807	$ 35,949	$ 82,756
Operating expenses excluding non-cash charges	(32,437)	(24,812)	(57,249)
Special Charges	-	(133)	(133)
Depreciation of property, plant and equipment	(444)	(175)	(619)
Segmented profit	**$ 13,926**	**$ 10,829**	**$ 24,755**
Corporate expenses			(2,133)
Results from operating activities			**$ 22,622**
Amortization of acquired software and customer relationships			(7,397)
Foreign exchange loss			(806)
Finance income			32
Finance expenses			(65)
Other expense			(50)
Income before income taxes			**$ 14,336**

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2018 and 2017
(Unaudited, in thousands of Canadian Dollars, except as indicated)

	Interactive Management Group	Asset Management Group	Total
Nine months ended July 31, 2018			
Revenue	$ 143,498	$ 113,525	$ 257,023
Operating expenses excluding non-cash charges	(96,238)	(74,325)	(170,563)
Special Charges	-	(333)	(333)
Depreciation of property, plant and equipment	(1,339)	(530)	(1,869)
Segmented profit	**$ 45,921**	**$ 38,337**	**$ 84,258**
Corporate expenses			(8,357)
Results from operating activities			**$ 75,901**
Amortization of acquired software and customer relationships			(21,763)
Foreign exchange loss			(465)
Finance income			278
Finance expenses			(134)
Other income			1,940
Income before income taxes			**$ 55,757**
Goodwill	$ 94,790	$ 62,364	$157,154
Other assets	149,433	176,008	325,441
Short-term investments			8,674
Total assets	**$244,223**	**$238,372**	**$491,269**
Capital Expenditures	**$ 1,070**	**$ 468**	**$ 1,538**

	Interactive Management Group	Asset Management Group	Total
Nine months ended July 31, 2017			
Revenue	$ 141,438	$ 99,701	$ 241,139
Operating expenses excluding non-cash charges	(96,360)	(70,206)	(166,566)
Special Charges	(137)	(477)	(614)
Depreciation of property, plant and equipment	(1,311)	(517)	(1,828)
Segmented profit	**$ 43,630**	**$ 28,501**	**$ 72,131**
Corporate expenses			(5,534)
Results from operating activities			**$ 66,597**
Amortization of acquired software and customer relationships			(22,365)
Foreign exchange loss			(3,027)
Finance income			131
Finance expenses			(137)
Other income			101
Income before income taxes			**$ 41,300**
Goodwill	$ 90,323	$ 58,100	$ 148,423
Other assets	133,466	152,674	286,140
Short-term investments	-	-	6,562
Total assets	**$ 223,789**	**$ 210,774**	**$ 441,125**
Capital Expenditures	**$ 674**	**$ 351**	**$ 1,025**

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2018 and 2017
(Unaudited, in thousands of Canadian Dollars, except as indicated)

12. Litigation and contingencies

General
The Company provides its customers with a qualified indemnity against the infringement of third party intellectual property rights. From time to time, various owners of patents and copyrighted works send the Company or its customers' letters alleging that the Company's products do or might infringe upon the owner's intellectual property rights, and/or suggesting that the Company or its customers should negotiate a license agreement with the owner. The Company's policy is to never knowingly infringe upon any third party's intellectual property rights. Accordingly, where appropriate, the Company forwards any such allegation or licensing request to its outside legal counsel for review. The Company generally attempts to resolve any such matter by informing the owner of the Company's position concerning non-infringement or invalidity. Even though the Company attempts to resolve these matters without litigation, it is always possible that the owner of a patent or copyrighted work will sue the Company.

In response to correspondence from and, in a few instances, litigation instigated by, third party patent holders, a few of the Company's customers have attempted to tender to the Company the defense of its products under contractual indemnity provisions. With respect to this litigation, and any other litigation the Company becomes involved with, under a contractual indemnity or any other legal theory, the Company has and will continue to consider all its options for resolution and vigorously assert all appropriate defenses. There are no material claims outstanding against the Company as at July 31, 2018.

13. Changes in non-cash operating working capital

	Three months ended July 31,		Nine months ended July 31,	
	2018	**2017**	**2018**	**2017**
Decrease (increase) in accounts receivable, net	$ 10,645	$ 5,622	$ 7,059	$ (3,435)
Decrease (increase) in prepaid expenses and other assets	271	860	(305)	2,166
(Decrease) increase in accounts payable & accrued liabilities	(206)	2,489	(4,162)	(199)
Decrease in provisions	(90)	(149)	(1,251)	(1,410)
Decrease in income taxes payable	(805)	(1,414)	(2,210)	(3,023)
(Decrease) increase in deferred revenue	(3,774)	(2,813)	7,477	3,611
	$ 6,041	**$ 4,595**	**$ 6,608**	**$ (2,290)**

14. Prior period reclassification

Certain amounts have been reclassified between finance expenses and selling, general and administrative expenses in the prior period to conform to the current year presentation. Further, foreign exchange gains and losses, primarily arising from financing activities, have been reclassified from selling, general and administrative expenses in the prior period to a separate line in the consolidated statement of operations, below results from operating activities.