Second Quarter 2016

Enghouse Systems

Software engineered for results

June 9, 2016

To our Shareholders,

Second quarter revenue was $78.5 million, an increase of 14.3% over revenue of $68.7 million in the second quarter last year. On a year to date basis, revenue was $152.9 million compared to $131.7 million last year, an increase of 16.1%. The revenue increase primarily reflects incremental revenue contributions from acquisitions and the favorable impact of foreign exchange compared to last year. Hosted and maintenance services revenue was $38.3 million in the quarter, an increase of 13.7% over the same period last year.

Adjusted EBITDA for the quarter was $19.3 million ($0.71 per diluted share) compared to $16.2 million ($0.60 per diluted share) in last year's second quarter. Adjusted EBITDA for the year to date was $38.4 million ($1.41 per diluted share) compared to $32.4 million ($1.20 per diluted share) last year, an increase of 18.4%.

Net income for the quarter was $8.5 million ($0.31 per diluted share) compared to the prior year's second quarter net income of $7.6 million ($0.28 per diluted share). Results from operating activities for the quarter were $18.1 million compared to $15.5 million in the prior year's second quarter, an increase of 16.9% over the prior year.

Operating expenses before special charges related to restructuring of acquired operations were $35.2 million compared to $31.0 million in the prior year's second quarter and reflect incremental operating costs related to acquisitions. Non-cash amortization charges in the quarter were $7.0 million compared to $5.7 million in the prior year's second quarter and include amortization charges for acquired software and customer relationships from acquired operations. Operating expenses in the quarter also include $11.5 million, or 14.6% of revenue in research and development related expenses compared to $10.8 million or 15.7% in prior year's second quarter.

Enghouse generated cash flows from operations of $20.7 million in the quarter and closed the quarter with $85.1 million in cash, cash equivalents and short-term investments, compared to $98.4 million at October 31, 2015. The cash balance was achieved after year-to-date payments comprised of $26.0 million (net of cash acquired) for CTI Group (Holdings) Inc. acquired on December 7, 2015, $3.3 million (net of cash acquired and holdbacks) for CellVision AS acquired on March 4, 2016, $3.4 million for prior period acquisitions and $6.4 million in dividends paid. The Company continues to have no debt.

The Board of Directors has approved an eligible quarterly dividend of $0.14 per common share, payable on August 31, 2016 to shareholders of record at the close of business on August 17, 2016.

Subsequent to quarter end, Enghouse acquired the assets of NetBoss Technologies, Inc. ("NetBoss") for a purchase price of approximately $9.3 million subject to certain price adjustments. Headquartered in Sebastian, Florida, NetBoss provides an integrated Service Assurance platform encompassing fault and performance management, service correlation and customer analytics and will be integrated into the Asset Management Group. Enghouse remains committed to its acquisition strategy and continues to see accretive acquisitions.

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 June 9, 2016 and all information contained herein is current as of that date unless otherwise indicated. For a complete understanding of our business environment, risks, trends and 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 2015 audited consolidated financial statements and the notes thereto. This MD&A covers the consolidated results of operations, financial condition and cash flows of Enghouse Systems and its subsidiaries, all wholly owned, for the second quarter ended April 30, 2016. 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 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, asset depreciation, 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, 2015, 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:ESL) 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, banks and utilities as well as high 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, first responders, distribution and security sectors.

The Company's strategy remains focused 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 April 30, 2016). 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
	$	$	$	$	$	$
April 30, 2016	78,537	8,520	0.32	0.31	85,139	395,172
January 31, 2016	74,370	8,461	0.32	0.31	80,008	409,866
October 31, 2015	76,329	13,229^	0.50	0.49	98,437	376,015
July 31, 2015	71,264	8,094	0.31	0.30	91,288	369,917
April 30, 2015	68,701	7,568	0.29	0.28	88,541	352,914
January 31, 2015	63,019	2,539*	0.10*	0.09*	101,847	354,628
October 31, 2014	62,056	9,739^	0.37	0.36	84,864	327,771
July 31, 2014	55,488	7,215	0.28	0.27	104,958	313,069

^Includes credit adjustment to tax provision of $2.5 million in fiscal 2015 and $3.3 million in fiscal 2014 on the recognition of deferred tax assets related to non-capital losses

*Net of adjustment to the provision related to the finalization of contract litigation matters in the amount of $5.0 million after tax.

Results of Operations:

(in thousands of Canadian dollars except per share amounts)

	Q2/2016	Q2/2015	Year over year change $	Year over year change %
Interactive Management Group	$ 48,688	$ 44,881	3,807	8.5
Asset Management Group	29,849	23,820	6,029	25.3
Total revenue	**78,537**	**68,701**	**9,836**	**14.3**
Direct costs	24,826	22,179	2,647	11.9
Revenue, net of direct costs	**53,711**	**46,522**	**7,189**	**15.5**
Operating expenses	35,183	30,967	4,216	13.6
Special charges	412	55	357	649.1
Results from operating activities	**18,116**	**15,500**	**2,616**	**16.9**
Amortization of acquired software and customer relationships	(7,008)	(5,734)	(1,274)	(22.2)
Finance income	21	51	(30)	(58.8)
Finance expense	(87)	(170)	83	48.8
Other income	22	58	(36)	(62.1)
Income before income taxes	**11,064**	**9,705**	**1,359**	**14.0**
Provision for income taxes	2,544	2,137	407	19.0
Net Income	**$ 8,520**	**$ 7,568**	**952**	**12.6**
Earnings per share – basic	$ 0.32	$ 0.29	0.03	10.3
Earnings per share – diluted	$ 0.31	$ 0.28	0.03	10.7
Cash flow from operating activities	**$ 20,693**	**$ 12,207**	**8,486**	**69.5**
Cash flow from operating activities excluding changes in working capital	**$ 19,179**	**$ 16,550**	**2,629**	**15.9**

Adjusted EBITDA:

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

	Three Months ended		Six Months ended	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Total Revenue	**$ 78,537**	**$ 68,701**	**$ 152,907**	**$ 131,720**
Results from operating activities	**18,116**	**15,500**	**35,959**	**31,075**
Depreciation of property, plant and equipment	791	682	1,617	1,274
Special charges	412	55	819	79
Adjusted EBITDA	**$ 19,319**	**$ 16,237**	**$ 38,395**	**$ 32,428**
Adjusted EBITDA margin	**24.6%**	**23.6%**	**25.1%**	**24.6%**
Adjusted EBITDA per diluted share	**$ 0.71**	**$ 0.60**	**$ 1.41**	**$ 1.20**

Revenue
Total revenue for the quarter was $78.5 million compared to $68.7 million in the prior year's second quarter, a 14.3% increase over the prior year. Hosted and maintenance services revenue was $38.3 million compared to $33.7 million in the prior year's second quarter, an increase of 13.7%. This includes maintenance revenue of $32.5 million compared to $28.6 million in the prior year's second 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 up at $5.8 million in the quarter compared to $5.1 million last year and reflects incremental contributions from acquired operations. License revenue was $24.4 million compared to $21.1 million in the prior year's second quarter as a result of license sales in the Asset Management Group, incremental subscription revenue booked as well as contributions from acquisitions.

Revenue for the fiscal year to date was $152.9 million compared to $131.7 million in fiscal 2015, a 16.1% increase. Hosted and maintenance services revenue grew 15.4% in the year to $76.1 million and represents 49.8% of revenue compared to 50.1% last year. Revenue also includes license revenue of $45.2 million, a 11.1% increase over last year.

The Interactive Management Group contributed $48.7 million in revenue in the quarter, compared to $44.9 million reported in the second quarter of fiscal 2015. The increase is attributable to incremental contributions from acquisitions completed after last year's second quarter and reflects the incremental revenue contributions of the Interactive Management operations of CTI Group (Holdings) Inc. ("CTI") acquired on December 7, 2015. The Asset Management Group contributed revenue of $29.8 million in the quarter, compared to $23.8 million reported in the second quarter of fiscal 2015 and reflects incremental revenue contributions from CTI's SmartRecord and Analysis operations, CellVision AS ("CellVision") acquired on March 4, 2016 and acquisitions completed in the prior fiscal year. On a year to date basis, the Interactive Management Group contributed $97.3 million compared to $88.6 million, while the Asset Management Group revenue was $55.6 million compared to $43.1 million as a result of incremental contributions from acquisitions completed in the current and prior fiscal year as well as incremental services revenue from the Group's telecom billing and workflow operations. The Asset Management Group contributed 36.4% to total revenue in the fiscal year to date (2015 – 32.7%).

Both revenue and costs were impacted by the stronger U.S. dollar which compared to its Canadian counterpart averaged $1.35 in the current quarter versus $1.26 in the prior year's second quarter. The Euro also positively impacted revenue, averaging $1.49 in the current quarter compared to $1.40 in the prior year's second quarter. The positive impact on revenue was marginally impacted by the weaker Canadian dollar against the Pound Sterling, which averaged $1.92 in the quarter versus $1.91 prior year's second quarter and by the weaker Canadian dollar against the Swedish Kronor, which averaged $0.16 in the quarter versus $0.15 in the prior year's second quarter.

Direct costs
Direct costs for the quarter were $24.8 million or 31.6% of revenue compared to $22.2 million or 32.3% of revenue in the prior year's second quarter and include increased costs associated with providing incremental hosted services revenue. Incremental license revenue combined with lower third party and hardware costs in the current quarter positively impacted margins compared to prior year's second quarter. Direct costs for services include costs for both hosted and maintenance services as well as professional services.

On a segment basis, direct costs in the quarter for the Interactive Management Group were $12.9 million or 26.2% of revenue compared to $11.3 million or 25.2% of revenue in the prior year's second quarter as a result of lower margins associated with hosting services in the current quarter compared to prior year's second quarter. Direct costs for the Asset Management Group were $11.9 million or 39.7% of revenue compared to $10.9 million or 45.7% of revenue in the prior year's second quarter as a result of a significant third party software and hardware sale in the prior year's second quarter. The lower margins in the Asset Management Group compared to the Interactive Management Group reflect higher proportional contributions from lower margin professional and hosted services and hardware revenue.

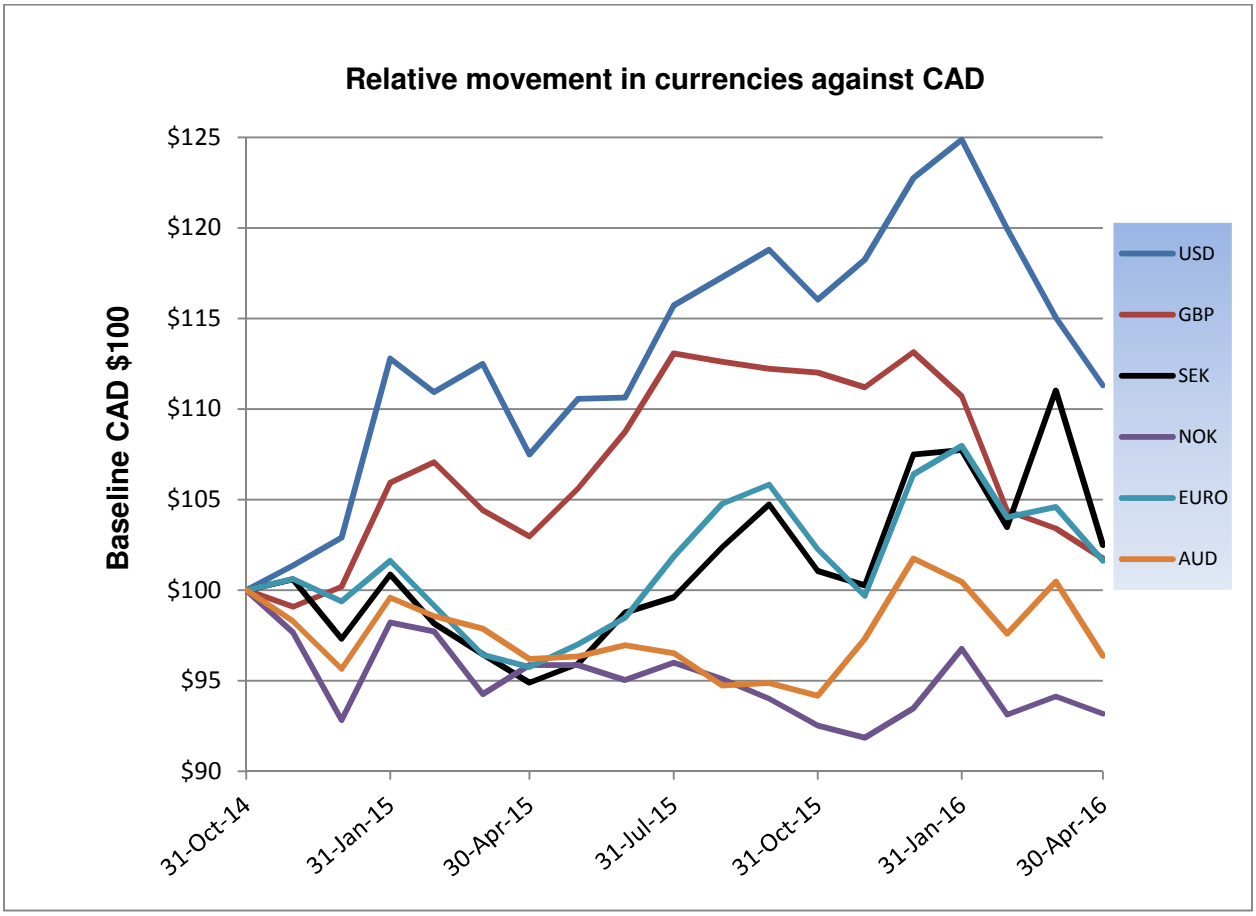
Revenue, net of direct costs
Revenue net of direct costs increased by $7.2 million to $53.7 million or 68.4% of revenue compared to $46.5 million or 67.7% of revenue in the prior year's second quarter. The increase in revenue, net of direct costs is primarily attributable to incremental contributions from acquisitions. The increase in margins is primarily attributable to decreased third party and hardware costs.

Operating Expenses
Operating expenses, excluding special charges, for the quarter were $35.2 million, compared to $31.0 million reported in the second quarter of last year, a 13.6% increase. The increase in costs reflect incremental operating costs related to newly acquired operations and the impact of the stronger U.S dollar which increased operating costs in Canadian dollars. Selling, general and administrative costs include foreign exchange losses of $0.4 million recorded in the quarter compared to gains of $0.4 million last year. Last year's expenses included nominal special charges related to acquisitions compared to $0.4 million in the second quarter of this year for the CellVision and CTI acquisitions. Operating costs, excluding special charges, as a percentage of total revenue decreased from 45.1% to 44.8% in the quarter as a result of reduced proportional R&D spending. For the fiscal year to date, operating expenses excluding special charges increased by 15.2% to $67.5 million or 44.2% of revenue from $58.6 million (44.5% of revenue) in fiscal 2015.

The Company continues to invest in R&D for future growth. R&D expenses were $11.5 million or 14.6% as a percentage of revenue in the quarter, compared to $10.8 million or 15.7% in the prior quarter. This is net of R&D tax credits of $0.3 million and $0.1 million, respectively, recorded in the current and prior year's second quarters.

Non-cash charges for amortization of acquired software and customer relationships related to acquisitions were $7.0 million, up from the prior year's second quarter expense of $5.7 million as a result of incremental charges related to the acquisitions of Reitek, CTI and CellVision, which were partially offset by expiring amortization charges from previous acquisitions. On a year to date basis, non-cash amortization represents a charge of $13.8 million versus $11.1 million last 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 acquisitions in the Scandinavian region and Europe, an increasing proportion of revenue is derived from operations outside of the U.S. and is denominated in currencies other than the U.S. dollar. As a result, the Company transacts a significant proportion of its business in Pounds Sterling, Euros, Swedish, Norwegian and Danish Kronor, as well as currencies in the Asia Pacific region.



Exchange rate Source: Bank of Canada Currency Rates

The Canadian dollar overall was weaker to the U.S dollar, Pound Sterling and Euro compared to prior year. As the Company's reporting currency is the Canadian dollar, this has positively impacted revenue reported in Canadian dollars while negatively impacting operating costs, and partially acts as a natural hedge compared to prior year. Revenue was positively impacted by an estimated $2.2 million over the prior year, while costs increased by an estimated $2.0 million, as calculated by applying the change in the average exchange rates from Q2/16 to Q2/15 to the Company's foreign currency denominated revenue and direct costs and operating expenses in Q2/16.

The Company does not hedge foreign currency exposure but funds its U.S. dollar operational expenses with U.S. dollar revenue in order to mitigate exposure. A similar natural hedge exists for the Company's U.K. and Scandinavian operations. The Company continues to have more operating expenses denominated in Canadian dollars than Canadian dollar revenue. Going forward, fluctuations in exchange rates among the Canadian dollar, the U.S. dollar, the Pound Sterling, the Swedish Krona, the 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 losses of $0.4 million related to foreign currency denominated monetary assets and liabilities in the current year's second quarter compared to gains of $0.4 million in the prior year's second quarter. The loss was recorded primarily as a result of the impact of the U.S. dollar weakening in the quarter against the Canadian dollar on the Company's U.S. dollar denominated monetary assets held primarily in Canada, Ireland and the U.K. The Company records these foreign exchange gains and losses in selling, general and administrative expenses in the unaudited condensed consolidated interim statements of operations. Translation gains or losses incurred upon consolidation of the Company's foreign operation's balance sheets into Canadian dollars are included in the Company's accumulated other comprehensive income (loss) account on the balance sheet.

Finance and Other Income
The Company recognized nominal finance and other income in the quarter compared to $0.1 million in the second quarter of the prior year as a result of declining yields and did not book any gains on the sale of equities in the second quarter, compared to a nominal gain in the prior year's second quarter.

Income Tax Expense
During the quarter, the Company established a tax provision of $2.5 million as compared to a provision of $2.1 million in the prior year's second quarter. The Company paid $2.6 million in tax instalments in the quarter, compared to $2.1 million in the second quarter of the prior year and has paid $4.1 million year to date in both years.

Net Income
Net income was $8.5 million or $0.31 per share on a diluted basis in the quarter compared to $7.6 million or $0.28 per share in the second quarter of the prior year, as a result of incremental operating profits. For the year to date, net income was $17.0 million or $0.62 per diluted share compared to $10.1 million or $0.37 per share. The prior year included a provision of $5.0 million net of tax to settle litigation matters.

Liquidity and Capital Resources:
The Company closed the quarter with cash reserves of $85.1 million, compared to the October 31, 2015 balance of $98.4 million. This is after funding payment of $26.0 million (net of cash acquired) for CTI acquired on December 7, 2015, $3.3 million (net of cash acquired and holdbacks) for CellVision acquired on March 4, 2016, $3.4 million for prior period acquisition payments and payment of $6.4 million in dividends year to date. The Company continues to have no long-term debt and has sufficient cash resources to fund both its current and future financial operating commitments as well as its dividend and acquisition strategies. During the quarter the Company generated cash flows from operating activities of $20.7 million compared to $12.2 million in the second quarter of the prior year. On a year to date basis the Company generated cash flows from operating activities of $27.6 million compared to $29.8 million last year.

The Company had 26,812,962 Common Shares issued and outstanding as at June 9, 2016. During the second quarter, 1,500 stock options were exercised contributing nominal cash to the Company. In comparison, 83,000 options were exercised in the prior year's second quarter adding $0.7 million. The Company granted 45,000 options in the second quarter of the fiscal year compared to 135,000 in the second quarter last year. Enghouse did not repurchase any shares of its common stock in either second quarter under its Normal Course Issuer Bid but did renew the bid for a further year commencing April 22, 2016 and expiring April 21, 2017, whereby it may repurchase up to a maximum of 1,853,096 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 commitments are reflected on the Company's balance sheet.

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, 2015, contained in the Company's 2015 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 Vice President Finance, 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, 2015, an evaluation of the effectiveness of the Company's disclosure controls and procedures was carried out under the supervision of the CEO and Vice President Finance. Based on this evaluation, the CEO and the Vice President Finance 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 Vice President Finance 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, 2015, 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 Vice President Finance have concluded that, as at October 31, 2015, 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 April 30, 2016 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 six months ended April 30, 2016 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)

	April 30, 2016	October 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 80,128	$ 94,131
Short-term investments	5,011	4,306
Accounts receivable, net	76,392	60,765
Prepaid expenses and other assets	9,446	8,330
	170,977	**167,532**
Non-current assets		
Property, plant and equipment	6,052	5,039
Intangible assets (Note 4)	75,982	68,976
Goodwill (Note 4)	134,748	123,868
Deferred income tax assets	7,413	10,600
Total assets	**$ 395,172**	**$ 376,015**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 49,268	$ 51,284
Income taxes payable	1,769	2,680
Dividends payable	3,754	3,190
Provisions (Note 5)	4,179	3,335
Deferred revenue	60,516	48,694
	119,486	**109,183**
Non-current liabilities		
Deferred income tax liabilities	22,563	20,022
Deferred revenue	6,319	3,458
Total liabilities	**148,368**	**132,663**
Shareholders' Equity		
Share capital (Note 6)	67,301	64,203
Contributed surplus	4,015	4,029
Retained earnings	164,876	154,866
Accumulated other comprehensive income	10,612	20,254
Total shareholders' equity	**246,804**	**243,352**
Total liabilities and shareholders' equity	**$ 395,172**	**$ 376,015**

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 April 30		Six months ended April 30	
	2016	**2015**	**2016**	**2015**
Revenue				
Software licenses	$ 24,444	$ 21,084	$ 45,214	$ 40,696
Hosted and maintenance services	38,300	33,687	76,106	65,946
Professional services	14,482	12,412	28,917	21,333
Hardware	1,311	1,518	2,670	3,745
	78,537	**68,701**	**152,907**	**131,720**
Direct costs				
Software licenses	1,203	1,966	2,360	3,643
Services	22,698	19,131	44,488	35,915
Hardware	925	1,082	1,730	2,415
	24,826	**22,179**	**48,578**	**41,973**
Revenue, net of direct costs	**53,711**	**46,522**	**104,329**	**89,747**
Operating expenses				
Selling, general and administrative	22,915	19,493	43,056	36,637
Research and development	11,477	10,792	22,878	20,682
Depreciation of property, plant and equipment	791	682	1,617	1,274
Special charges (Note 5)	412	55	819	79
	35,595	**31,022**	**68,370**	**58,672**
Results from operating activities	**18,116**	**15,500**	**35,959**	**31,075**
Litigation settlements (Note 12)	-	-	-	(8,774)
Amortization of acquired software and customer relationships	(7,008)	(5,734)	(13,848)	(11,088)
Finance income	21	51	54	164
Finance expenses	(87)	(170)	(168)	(287)
Other income	22	58	55	75
Income before income taxes	**11,064**	**9,705**	**22,052**	**11,165**
Provision for income taxes (Note 8)	2,544	2,137	5,071	1,058
Net income for the period	**$ 8,520**	**$ 7,568**	**$ 16,981**	**$ 10,107**
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences from foreign operations	(18,240)	(9,501)	(9,457)	(95)
Transfer to net income of realized gains on available for sale investments	-	(74)	(14)	(74)
Unrealized (loss) gain on available for sale investments	(60)	(6)	(199)	182
Deferred income tax recovery (expense)	8	11	28	(14)
Other comprehensive (loss) income	**(18,292)**	**(9,570)**	**(9,642)**	**(1)**
Comprehensive (loss) income	**$ (9,772)**	**$ (2,002)**	**$ 7,339**	**$ 10,106**
Earnings per share				
Basic	$ 0.32	$ 0.29	$ 0.63	$ 0.39
Diluted	$ 0.31	$ 0.28	$ 0.62	$ 0.37

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 $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total $
Balance – November 1, 2015	**26,587,262**	**64,203**	**4,029**	**20,254**	**154,866**	**243,352**
Net income	**-**	**-**	**-**	**-**	16,981	16,981
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	(9,457)	-	(9,457)
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(14)	-	(14)
Unrealized gain on available-for-sale investments	-	-	-	(199)	-	(199)
Deferred income tax recovery	-	-	-	28	-	28
Comprehensive income for the period	**-**	**-**	**-**	**(9,642)**	**16,981**	**7,339**
Employee share options:						
Value of services recognized	-	-	576	-	-	576
Proceeds on issuing shares	225,700	3,098	(590)	-	-	2,508
Dividends	-	-	-	-	(6,971)	(6,971)
Balance – April 30, 2016	**26,812,962**	**67,301**	**4,015**	**10,612**	**164,876**	**246,804**
Balance – November 1, 2014	**26,163,962**	**59,746**	**3,782**	**9,173**	**135,554**	**208,255**
Net income	**-**	**-**	**-**	**-**	10,107	10,107
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	(95)	-	(95)
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(74)	-	(74)
Unrealized gain on available-for-sale investments	-	-	-	182	-	182
Deferred income tax expense	-	-	-	(14)	-	(14)
Comprehensive income for the period	**-**	**-**	**-**	**(1)**	**10,107**	**10,106**
Employee share options:						
Value of services recognized	-	-	622	-		622
Proceeds on issuing shares	121,500	1,178	(240)	-		938
Dividends	-	-	-	-	(5,774)	(5,774)
Balance – April 30, 2015	**26,285,462**	**60,924**	**4,164**	**9,172**	**139,887**	**214,147**

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 April 30		Six months ended April 30	
	2016	**2015**	**2016**	**2015**
Cash flows from operating activities				
Net income	$ 8,520	$ 7,568	$ 16,981	$ 10,107
Adjustments for:				
Depreciation of property, plant and equipment	791	682	1,617	1,274
Amortization of acquired software and customer relationships	7,008	5,734	13,848	11,088
Stock-based compensation expense	251	317	576	622
Provision for income taxes	2,544	2,137	5,071	1,058
Finance expenses and other income	65	112	113	212
	19,179	**16,550**	**38,206**	**24,361**
Changes in non-cash operating working capital (Note 13)	4,122	(2,250)	(6,502)	9,556
Income tax paid	(2,608)	(2,093)	(4,105)	(4,068)
Net cash flows from operating activities	**20,693**	**12,207**	**27,599**	**29,849**
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(1,001)	(395)	(2,319)	(1,457)
Purchase of other software	(485)	-	(619)	-
Acquisitions, net of cash acquired of $2,202 ($4,015 - 2015) (Note 10)	(3,334)	(19,818)	(29,353)	(19,818)
Purchase consideration for prior period acquisitions (Note 10)	(2,753)	(271)	(3,443)	(683)
Net sale of short-term investments	350	4,422	(695)	2,347
Net cash flows used in investing activities	**(7,223)**	**(16,062)**	**(36,429)**	**(19,611)**
Cash flows from financing activities				
Issuance of share capital	11	673	2,508	938
Payment of cash dividend	(3,218)	(2,621)	(6,408)	(5,237)
Net cash flows used in financing activities	**(3,207)**	**(1,948)**	**(3,900)**	**(4,299)**
Effect of currency translation adjustments on cash and cash equivalents	(4,449)	(2,625)	(1,273)	(256)
Net (decrease) increase in cash and cash equivalents during the period	**5,814**	**(8,428)**	**(14,003)**	**5,683**
Cash and cash equivalents- beginning of period	74,314	86,891	94,131	72,780
Cash and cash equivalents - end of period	**$ 80,128**	**$ 78,463**	**$ 80,128**	**$ 78,463**

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

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended April 30, 2016 and 2015
(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, 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 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, 2015, which have been prepared in accordance with IFRS. These unaudited condensed consolidated interim financial statements were approved for issue on June 9, 2016.

(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 2015 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 June 9, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending October 31, 2016 could result in a restatement of 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 judgements, 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 judgements 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, 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended April 30, 2016 and 2015
(Unaudited, in thousands of Canadian dollars, except as indicated)

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 16 Leases - IFRS 16 is a new standard effective for fiscal years beginning on or after January 1, 2019 and may be early adopted for companies that also apply "IFRS 15 *Revenue from Contracts with Customers"*. 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.

4. Intangible assets

	Acquired Software $	Other Software $	Customer Relationships $	Goodwill $	Total $
At November 1, 2015					
Cost	116,506	352	68,585	123,868	309,311
Accumulated amortization	(81,573)	-	(34,894)	-	(116,467)
Net book value	**34,933**	**352**	**33,691**	**123,868**	**192,844**
Period ended April 30, 2016					
Opening net book value	34,933	352	33,691	123,868	192,844
Acquisitions (Note 10)	13,526	-	7,997	16,100	37,623
Purchase Price Adjustments	-	-	-	(338)	(338)
Additions	-	617	-	-	617
Amortization	(8,410)	-	(5,438)	-	(13,848)
Exchange difference	(518)	(11)	(757)	(4,882)	(6,168)
Closing net book value	**39,531**	**958**	**35,493**	**134,748**	**210,730**
At April 30, 2016					
Cost	130,032	958	76,582	134,748	342,320
Accumulated amortization	(90,501)	-	(41,089)	-	(131,590)
Net book value	**39,531**	**958**	**35,493**	**134,748**	**210,730**

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, 2015	**$ 3,335**
Additional provisions	2,372
Unused amounts reversed	-
Recovered/(Utilized) during the period	(1,384)
Effect of movements in foreign exchange	(144)
At April 30, 2016	**$ 4,179**

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended April 30, 2016 and 2015
(Unaudited, in thousands of Canadian dollars, except as indicated)

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 26,812,962 common shares outstanding as at April 30, 2016. There were no Class A and no Class B preference shares issued and outstanding as at either October 31, 2015 or April 30, 2016.

Common share repurchase plan
On April 22, 2016, the Company renewed its common share repurchase plan, whereby it may repurchase up to a maximum of 1,853,096 common shares of the Company, expiring on April 21, 2017. The Company did not repurchase any common shares in either of fiscal 2016 or in fiscal 2015.

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

Cumulative translation account
The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations net of income tax recovery of $295 on a year to date basis (YTD-2015- recovery of $208).

Unrealized gains/losses on available-for-sale financial assets
Available-for-sale differences comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired net of income tax recovery of $28 on a year to date basis (YTD-2015- expense of $14).

Dividends
During the three months ended April 30, 2016, the Company declared and paid dividends of $0.14 and $0.12 respectively, per common share (three months ended April 30, 2015 - $0.12 and $0.10 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 1,568,700 (April 30, 2015 – 2,096,200) 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 April 30, 2016 and April 30, 2015, and changes during the three and six months ended respectively on those dates is presented as follows:

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2016 and 2015

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

Three months ended:	**April 30, 2016**		**April 30, 2015**	
	Number of Options	**Weighted Average Exercise Price in $**	**Number of Options**	**Weighted Average Exercise Price in $**
Outstanding at beginning of period	747,000	25.16	1,250,000	14.80
Granted	45,000	53.04	135,000	48.47
Exercised	(1,500)	7.40	(83,000)	8.11
Forfeited	-	-	(17,500)	17.15
Outstanding at end of period	**790,500**	**26.78**	**1,284,500**	**18.74**
Options exercisable at end of period	**400,500**	**18.95**	**760,500**	**12.79**

Six months ended:	**April 30, 2016**		**April 30, 2015**	
	Number of Options	**Weighted Average Exercise Price in $**	**Number of Options**	**Weighted Average Exercise Price in $**
Outstanding at beginning of period	971,200	21.92	1,288,500	14.56
Granted	45,000	53.04	135,000	48.47
Exercised	(225,700)	11.11	(121,500)	7.73
Forfeited	-	-	(17,500)	17.15
Outstanding at end of period	**790,500**	**26.78**	**1,284,500**	**18.74**
Options exercisable at end of period	**400,500**	**18.95**	**760,500**	**12.79**

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. During the second quarter of 2016, the Company recorded a non-cash charge of $251 (Q2/2015 - $317).

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 2016	**Options Granted FY 2015**
Risk-free interest rate (%)	0.53%	0.68% - 1.34%
Estimated volatility (%)	24% – 25%	20% – 28%
Dividend yield	$0.56	$0.48
Expected life (in years)	3.5 – 6.3	3.5 - 6.3
Weighted average fair value (in dollars)	$9.01	$6.74 - $11.63

There were 45,000 options granted to date in fiscal 2016 (135,000 – 2015).

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended April 30, 2016 and 2015
(Unaudited, in thousands of Canadian dollars, except as indicated)

8. Income tax
Income tax expense is recognized based on management's best estimate of the weighted average 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. The Company's effective tax rate for the three month period ended April 30, 2016 was a provision of 23.0%. The effective tax rate for the six month period was a provision of 23.0%. The effective tax rate for the six month period ending April 30, 2015 was 9.5%, which includes the tax effect on legal provision adjustments of $8.8 million recorded in the first quarter of 2015.

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 April 30		Six months ended April 30	
	2016	**2015**	**2016**	**2015**
Net income attributable to owners of the parent	$ 8,520	$ 7,568	$ 16,981	$ 10,107
Weighted average number of common shares in issue	26,812	26,223	26,753	26,204
Basic earnings per share	**$ 0.32**	**$ 0.29**	**$ 0.63**	**$ 0.39**

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 April 30		Six months ended April 30	
	2016	**2015**	**2016**	**2015**
Net income attributable to owners of the parent	$ 8,520	$ 7,568	$ 16,981	$ 10,107
Weighted average number of common shares issued	26,812	26,223	26,753	26,204
Adjustments for:				
Stock options	398	786	435	752
Weighted average number of common shares for diluted earnings per share	27,210	27,009	27,188	26,956
Diluted earnings per share	**$ 0.31**	**$ 0.28**	**$ 0.62**	**$ 0.37**

10. Acquisitions
Acquisitions have been recorded under the purchase method of accounting and results have been included in the unaudited condensed consolidated interim 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.

2016 Acquisitions:

CTI Group (Holdings) Inc.
The Company acquired 100% of the issued and outstanding common shares of CTI Group (Holdings) Inc. ("CTI") on December 7, 2015 for an aggregate purchase price of $27.7 million or $26.0 million net of cash acquired. CTI will be integrated into both of Enghouse's segments. Results of the CTI Proteus operating unit are included in the Interactive Management Group and the results of CTI's Analysis and SmartRecord operating units are included in the Asset Management Group from date of acquisition.

Headquartered in Indianapolis, Indiana with operations in the UK, CTI's telecommunications software products include carrier grade billing analytics, self-care, invoice presentment, multi-channel customer interaction recording and call accounting solutions. The products are deployed as on-premise licensed, multi-tenant hosted, SaaS or managed services offerings offer carriers a full array of cloud-based, real-time solutions for traffic analysis, post-billing call analysis, customer care and call recording. No amounts are subject to hold back.

Asset Management Group
The Company acquired 100% of the issued and outstanding common shares of CellVision AS ("CellVision") on March 4, 2016 for an aggregate cash purchase price of approximately $4.6 million or $3.3 million net of cash acquired and hold backs. Of this amount approximately $0.7 million remains subject to hold back and adjustment. Results are included in the Asset Management Group from date of acquisition.

Headquartered in Oslo, Norway, CellVision enables spatial intelligence and visual dashboard analytics for network operators. The purchase price allocation has not been established subject to receipt of additional information.

2015 Acquisitions:

Interactive Management
The Company acquired 100% of the issued and outstanding common shares of Reitek S.p.A ("Reitek") on May 8, 2015 for an aggregate cash purchase price of approximately $6.1 million. Of this amount, approximately $0.8 million remains subject to hold back and adjustment. Results are included in the Interactive Management Group from the date of acquisition.

Based in Milan, Italy, Reitek is a leading provider of omni-channel contact center solutions for enterprises of all sizes including multinational corporations, mostly serving the Italian market. Reitek's products are delivered both on premise and in the cloud and are distributed through a reseller channel.

Asset Management Group
The Company acquired 100% of the issued and outstanding common shares of CDRator A/S ("CDRator") and Aktavara AB ("Aktavara") on March 3, 2015 and September 8, 2015, respectively, for an aggregate cash purchase price of approximately $30.3 million. During second quarter of 2016, $2.5 million for CDRator's hold back was released and was previously included in restricted cash of the company. Currenly $0.5 million remains subject to hold back and adjustments for Aktavara. Results are included in the Asset Management Group from the acquisition date.

Headquartered in Denmark, CDRator provides market-leading solutions that automate billing and customer care functions for MVNO/E (mobile virtual network operators and enablers). CDRator offers an out-of-the-box self-care, post and pre-paid real time billing platform that can be rapidly deployed for enabling next generation mobile and converged virtual network operators.

Headquartered in Stockholm, Sweden, Aktavara's 19-employee team provides innovative software solutions for telecommunications service providers. The company's product line includes a configurable off-

the-shelf software product that creates and manages configuration parameters for all modern multi-vendor network technologies, and a comprehensive suite for automated network resource planning and inventory management. Aktavara's customers include wireless and fixed line convergent network operators in Europe, Africa and the Middle East.

The goodwill recognized in connection with 2016 acquisitions is primarily attributable to the anticipated improvement in the operations of the companies acquired and synergies with existing operations as a result of implementation of Enghouse's business strategies and methodologies. Goodwill also includes other intangibles such as assembled workforce that do not qualify for separate recognition under IFRS. None of the goodwill of $33.2 million recorded in 2016 and 2015 arising from these acquisition is deductible for tax purposes.

The gross contractual amounts of acquired receivables in 2016 was $5.8 million. However acquired receivables are generally represented as collectible by the sellers and therefore are expected to be fully collectible from customers or the sellers. The Company does not believe the impact of 2016 business acquisitions is material to either consolidated revenue or consolidated net income

The Company's purchase price allocations are as follows:

	Interactive Management Group Preliminary 2016	Asset Management Group Preliminary 2016	Interactive Management Group Preliminary 2015	Asset Management Group Preliminary 2015
Cash and cash equivalents	$ 375	$ 1,827	$ 849	$ 4,626
Accounts receivable, net	1,004	4,770	5,514	4,962
Prepaid expenses and other assets	6	766	644	524
Property, plant and equipment	29	335	227	301
Deferred income tax assets	-	-	134	17
Acquired software	2,078	11,448	2,140	6,688
Customer relationships	1,694	6,303	3,750	7,677
Goodwill	10,997	5,103	4,816	12,309
Total assets acquired	**$ 16,183**	**$ 30,552**	**$ 18,074**	**$ 37,104**
Less: Current liabilities assumed	$ 1,803	$ 7,440	$ 10,171	$ 3,617
Less: Deferred income tax liabilities	801	4,359	1,849	3,235
Total liabilities assumed	**$ 2,604**	**$ 11,799**	**$ 12,020**	**$ 6,852**
Net assets acquired for cash consideration	**$ 13,579**	**$ 18,753**	**$ 6,054**	**$ 30,252**

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 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, call recording and workforce optimization solutions that support any telephony environment, on-premise or in the cloud. Its customers include insurance companies, banks and utilities as well as high technology, health care and hospitality companies. 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 industry, first responders, distribution, security, utilities and oil and gas industries. These include telecom billing, data

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended April 30, 2016 and 2015
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conversion, and geo-spatial software solutions for complex network infrastructures and fleet/logistics management solutions for the public and private sectors.

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 April 30, 2016			
Revenue	$ 48,688	$ 29,849	$ 78,537
Operating expenses excluding non-cash charges	(35,210)	(22,309)	(57,519)
Special charges	(124)	(288)	(412)
Depreciation of property, plant and equipment	(572)	(219)	(791)
Segmented profit	**$ 12,782**	**$ 7,033**	**$ 19,815**
Corporate expenses			(1,699)
Results from operating activities			**$ 18,116**
Amortization of acquired software and customer relationships			(7,008)
Finance income			21
Finance expenses			(87)
Other income			22
Income before income taxes			**$ 11,064**

	Interactive Management Group	Asset Management Group	Total
Three months ended April 30, 2015			
Revenue	$ 44,881	$ 23,820	$ 68,701
Operating expenses excluding non-cash charges	(32,791)	(18,226)	(51,017)
Special charges	(55)	-	(55)
Depreciation of property, plant and equipment	(555)	(127)	(682)
Segmented profit	**$ 11,480**	**$ 5,467**	**$ 16,947**
Corporate expenses			(1,447)
Results from operating activities			**$ 15,500**
Amortization of acquired software and customer relationships			(5,734)
Finance income			51
Finance expenses			(170)
Other income			58
Income before income taxes			**$ 9,705**

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2016 and 2015

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

	Interactive Management Group	Asset Management Group	Total
Six months April 30, 2016			
Revenue	$ 97,300	$ 55,607	$ 152,907
Operating expenses excluding non-cash charges	(68,494)	(41,939)	(110,433)
Special charges	(306)	(513)	(819)
Depreciation of property, plant and equipment	(1,177)	(440)	(1,617)
Segmented profit	**$ 27,323**	**$ 12,715**	**$ 40,038**
Corporate expenses			(4,079)
Results from operating activities			**$ 35,959**
Amortization of acquired software and customer relationships			(13,848)
Finance income			54
Finance expenses			(168)
Other income			55
Income before income taxes			**$ 22,052**
Goodwill	$ 82,648	$ 52,100	$ 134,748
Other assets	129,472	125,941	255,413
Short-term investments			5,011
Total assets	**$ 212,120**	**$ 178,041**	**$ 395,172**
Capital Expenditures	$ 1,843	$ 476	$ 2,319

	Interactive Management Group	Asset Management Group	Total
Six months April 30, 2015			
Revenue	$ 88,633	$ 43,087	$ 131,720
Operating expenses excluding non-cash charges	(63,736)	(32,326)	(96,062)
Special charges	(79)	-	(79)
Depreciation of property, plant and equipment	(1,040)	(234)	(1,274)
Segmented profit	**$ 23,778**	**$ 10,527**	**$ 34,305**
Corporate expenses			(3,230)
Results from operating activities			**$ 31,075**
Amortization of acquired software and customer relationships			(8,774)
Litigation settlements			(11,088)
Finance income			164
Finance expenses			(287)
Other income			75
Income before income taxes			**$ 11,165**
Goodwill	$ 77,057	$ 35,027	$ 112,084
Other assets	118,843	111,909	230,752
Short-term investments			10,078
Total assets	**$ 195,900**	**$ 146,936**	**$ 352,914**
Capital Expenditures	$ 1,171	$ 286	$ 1,457

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended April 30, 2016 and 2015
(Unaudited, in thousands of Canadian dollars, except as indicated)

12. Commitments 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.

13. Changes in non-cash operating working capital

	Three months ended April 30,		Six months ended April 30,	
	2016	**2015**	**2016**	**2015**
Increase in accounts receivable, net	$ (6,994)	$ (3,801)	$ (14,227)	$ (1,337)
Decrease (increase) in prepaid expenses and other assets	473	(514)	(905)	(391)
Increase (decrease) in accounts payable & accrued liabilities	3,766	1,529	(3,986)	(4,861)
Increase in provisions	197	892	965	9,844
Decrease in income taxes payable	(1,129)	(1,432)	(1,502)	(1,995)
Increase in deferred revenue	7,809	1,076	13,153	8,296
	$ 4,122	**$ (2,250)**	**$ (6,502)**	**$ 9,556**

14. Subsequent Events

Effective May 27, 2016 the Company acquired the assets of NetBoss Technologies, Inc. ("NetBoss") for a purchase price of approximately $9.3 million subject to certain price adjustments. Headquartered in Sebastian, Florida, NetBoss provides an integrated Service Assurance platform encompassing fault and performance management, service correlation and customer analytics. The purchase price allocation has not been established subject to receipt of additional information. Results will be included in the Asset Management Group from the date of acquisition.