Second Quarter 2017

Enghouse Systems

Software engineered for results

June 8, 2017

To our Shareholders,

Second quarter revenue was $79.5 million, an increase of 1.3% over revenue of $78.5 million in the second quarter last year. On a year to date basis, revenue was $158.4 million compared to $152.9 million last year, an increase of 3.6%. The revenue increase primarily reflects incremental revenue contributions from acquisitions but is mitigated by the unfavorable impact of foreign exchange compared to last year which negatively impacted revenue by an estimated $3.3 million in the quarter and $8.0 million year to date. Hosted and maintenance services revenue was $39.9 million in the quarter, an increase of 4.2% over the same period last year and includes the estimated negative impact of foreign exchange of $1.65 million.

Adjusted EBITDA for the quarter was $20.5 million ($0.75 per diluted share) compared to $19.3 million ($0.71 per diluted share) in last year's second quarter and includes the net negative impact of $2.1 million related to foreign exchange losses compared to last year. Adjusted EBITDA for the year to date was $43.6 million ($1.60 per diluted share) compared to $38.4 million ($1.41 per diluted share) last year, an increase of 13.6%. This includes the net negative impact of $4.4 million related to foreign exchange losses on a year to date basis compared to last year, which would have resulted in a 26.7% increase compared to the prior year excluding foreign exchange losses.

Net income for the quarter was $9.0 million ($0.33 per diluted share) compared to the prior year's second quarter net income of $8.5 million ($0.31 per diluted share). Results from operating activities for the quarter were $19.5 million compared to $18.1 million in the prior year's second quarter, an increase of 7.5% over the prior year.

Operating expenses before special charges related to restructuring of acquired operations were $35.0 million compared to $35.2 million in the prior year's second quarter and include incremental operating costs related to acquired operations, net of the favourable impact of foreign exchange. Non-cash amortization charges in the quarter were $7.5 million compared to $7.0 million in the prior year's second quarter and include amortization charges for acquired software and customer relationships from acquired operations. On a year to date basis operating expenses before special charges were $65.9 million compared to $67.6 million and include incremental operating costs related to acquired operations, net of the favourable impact of foreign exchange compared to last year.

Enghouse generated cash flows from operations of $18.4 million in the quarter and closed the quarter with $87.6 million in cash, cash equivalents and short-term investments, compared to $85.9 million at October 31, 2016. The cash balance was achieved after year-to-date payments comprised of $16.2 million (net of cash acquired and holdbacks) for Tollgrade Communications Inc. (acquired April 12, 2017), $1.7 million to partially settle loans inherited from the Presence Technology, S.L. acquisition (completed October 28, 2016), $0.4 million for prior period acquisitions, and $7.5 million in dividends paid.

The Board of Directors has approved an eligible quarterly dividend of $0.16 per common share, payable on August 31, 2017 to shareholders of record at the close of business on August 17, 2017.

Enghouse remains committed to its acquisition strategy and continues to seek 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 8, 2017 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 2016 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, 2017. 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, 2016, 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, 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), and 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 latest of which ended April 30, 2017). 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, 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
July 31, 2016	76,350	10,383	0.39	0.38	90,669	395,289
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

^Includes credit adjustment to tax provision of $4.5 million in fiscal 2016 and $2.5 million in fiscal 2015 on the recognition of deferred tax assets related to non-capital losses

Results of Operations:

(in thousands of Canadian dollars except per share amounts)

For the three months ended	Q2/2017	Q2/2016	Year over year change $	Year over year change %
Interactive Management Group	$ 47,077	$ 48,688	(1,611)	(3.3)
Asset Management Group	32,466	29,849	2,617	8.8
Total revenue	**79,543**	**78,537**	**1,006**	**1.3**
Direct costs	24,684	24,826	(142)	(0.6)
Revenue, net of direct costs	**54,859**	**53,711**	**1,148**	**2.1**
Operating expenses	34,993	35,183	(190)	(0.5)
Special charges	383	412	(29)	(7.0)
Results from operating activities	**19,483**	**18,116**	**1,367**	**7.5**
Amortization of acquired software and customer relationships	(7,511)	(7,008)	(503)	7.2
Finance income	60	21	39	185.7
Finance expense	(142)	(87)	(55)	63.2
Other income	(19)	22	(41)	(186.4)
Income before income taxes	**11,871**	**11,064**	**807**	**7.3**
Provision for income taxes	2,844	2,544	300	11.8
Net Income	**$ 9,027**	**$ 8,520**	**507**	**6.0**
Earnings per share – basic	$ 0.34	$ 0.32	0.02	6.3
Earnings per share – diluted	$ 0.33	$ 0.31	0.02	6.5
Cash flow from operating activities	**$ 18,360**	**$ 20,693**	**(2,333)**	**(11.3)**
Cash flow from operating activities before changes in working capital	**$ 20,494**	**$ 19,179**	**1,315**	**6.9**

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, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Total Revenue	**$ 79,543**	**$ 78,537**	**$ 158,383**	**$ 152,907**
Results from operating activities	**19,483**	**18,116**	**41,931**	**35,959**
Depreciation of property, plant and equipment	595	791	1,209	1,617
Special charges	383	412	481	819
Adjusted EBITDA	**$ 20,461**	**$ 19,319**	**$ 43,621**	**$ 38,395**
Adjusted EBITDA margin	**25.7%**	**24.6%**	**27.5%**	**25.1%**
Adjusted EBITDA per diluted share	**$ 0.75**	**$ 0.71**	**$ 1.60**	**$ 1.41**

Revenue
Total revenue for the quarter was $79.5 million compared to $78.5 million in the prior year's second quarter, a 1.3% increase over the prior year. Hosted and maintenance services revenue was $39.9 million compared to $38.3 million in the prior year's second quarter, an increase of 4.2%. This includes maintenance revenue of $33.8 million compared to $32.5 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 increased to $6.1 million in the quarter compared to $5.8 million last year and reflects incremental contributions from acquired operations. License revenue was $23.8 million compared to $24.4 million in the prior year's second quarter and includes contributions from acquisitions which were mitigated by the impact of foreign exchange.

Revenue for the fiscal year to date was $158.4 million compared to $152.9 million in fiscal 2016, a 3.6% increase. Hosted and maintenance services revenue grew 3.9% in the year to $79.1 million and represents 49.9% of revenue compared to 49.8% last year. Revenue also includes license revenue of $48.0 million, a 6.1% increase over last year. Revenue was negatively impacted by foreign exchange compared to last year, which reduced revenue by an estimated $3.3 million in the quarter and $8.0 million year to date, as calculated by applying last year's foreign exchange rates to the current year's foreign currency denominated revenue.

The Interactive Management Group contributed $47.1 million in revenue in the quarter, compared to $48.7 million reported in the second quarter of fiscal 2016. The decrease is attributable to the significant negative impact of foreign exchange compared to the previous year, offset by incremental contributions from acquisitions completed after last year's second quarter (Presence).

The Asset Management Group contributed revenue of $32.5 million in the quarter, compared to $29.8 million reported in the second quarter of fiscal 2016 and reflects incremental revenue contributions from acquisitions completed after last year's second quarter including NetBoss, as well as Tollgrade, acquired April 12, 2017.

On a year to date basis, the Interactive Management Group contributed $94.6 million compared to $97.3 million last year, while the Asset Management Group revenue was $63.8 million compared to $55.6 million last year as a result of incremental contributions from acquisitions completed in the current and prior fiscal year. The Asset Management Group contributed 40.3% to total revenue in the fiscal year to date (2016 – 36.4%) as a result of incremental contributions from acquisitions.

Both revenue and costs were impacted by the relatively weaker U.S. dollar which compared to its Canadian counterpart averaged $1.33 in the current quarter versus $1.35 in the prior year's second quarter. The Euro also negatively impacted revenue, averaging $1.42 in the current quarter compared to $1.49 in the prior year's second quarter. Further, revenue was negatively impacted by the stronger Canadian dollar compared to the much weaker Pound Sterling, which averaged $1.66 in the quarter versus $1.92 prior year's second quarter and against the Swedish Kronor, which averaged $0.15 in the quarter versus $0.16 in the prior year's second quarter.

Direct costs
Direct costs for the quarter were $24.7 or 31.0% of revenue compared to $24.8 million or 31.6% of revenue in the prior year's second quarter. Lower third party and hardware revenue and costs in the current quarter positively impacted overall gross 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 $12.2 million or 26.1% of revenue compared to $12.9 million or 26.5% of revenue in the prior year's second quarter as a result of stronger margins associated with reduced contributions from lower margin third party revenue than the prior year's second quarter. Direct costs for the Asset Management Group were $12.5 million or 38.0% of revenue compared to $11.9 million or 39.9% 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 which reduced margins. The lower overall 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.

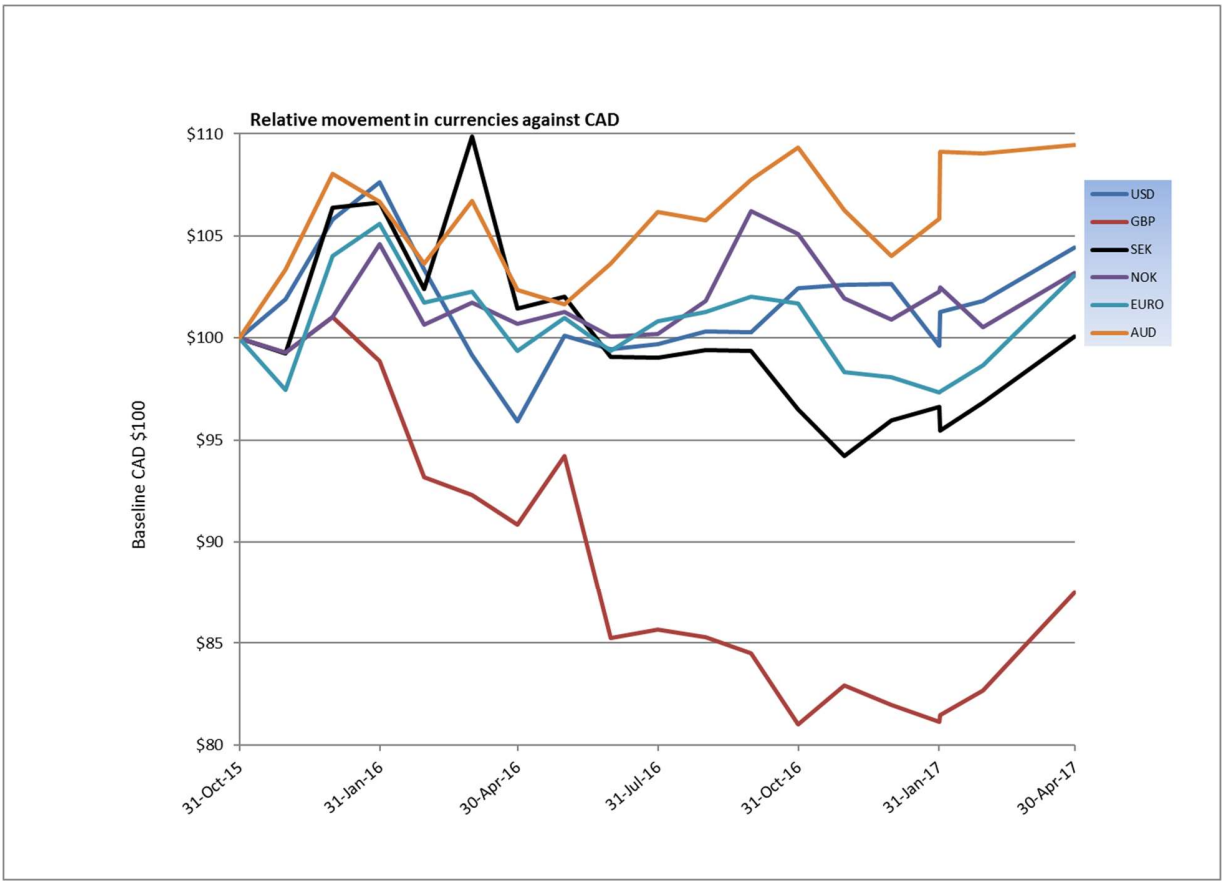
Revenue, net of direct costs
Revenue net of direct costs increased by $1.1 million, or 2.1%, to $54.9 million, or 69.0% of revenue, compared to the prior year's second quarter. The increase in revenue, net of direct costs is primarily attributable to incremental contributions from acquisitions. The increase in margins is primarily attributable to decreased third party and hardware costs related to less third party revenue in the quarter.

Operating Expenses
Operating expenses, excluding special charges, for the quarter were $35.0 million, compared to $35.2 million reported in the second quarter of last year, a 0.5% decrease. The slight decrease in costs reflects incremental operating costs related to newly acquired operations, offset by the impact of the stronger Canadian dollar, which resulted in lower operating costs stated in Canadian dollars for both the quarter, and to a larger extent, for the year to date. Selling, general and administrative costs also include foreign exchange losses of $2.5 million recorded in the quarter compared to losses of $0.4 million last year. The foreign exchange loss was primarily related to the translation of foreign currency denominated monetary liabilities, which were negatively impacted by the sharp decline in the Canadian dollar late in the second quarter. Both quarter's expenses included $0.4 million in special charges related to acquisitions, with this year's expenses being related to the Presence and Tollgrade acquisitions. Despite the foreign exchange loss, operating costs, excluding special charges, as a percentage of total revenue decreased from 44.8% to 44.0% in the quarter as a result of reduced operational spending. For the fiscal year to date, operating expenses excluding special charges decreased by 2.4% to $65.9 million or 41.6% of revenue from $67.6 million (44.2% of revenue) in fiscal 2016.

The Company continues to invest in R&D for future growth. R&D expenses were $11.1 million or 13.9% as a percentage of revenue in the quarter, compared to $11.5 million or 14.6% in the prior quarter. This is net of R&D tax credits of $0.6 million and $0.3 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 $7.5 million, up from the prior year's second quarter expense of $7.0 million as a result of incremental charges related to the acquisitions of CellVision, NetBoss, Presence, and Tollgrade, which were partially offset by expiring amortization charges from previous acquisitions. On a year to date basis, non-cash amortization represents a charge of $15.0 million versus $13.8 million last year.

Foreign Exchange
The Company earns 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 was marginally weaker compared to the first quarter against major world currencies other than the U.S. dollar which was flat. However, the Canadian dollar was generally stronger compared to the prior year's second quarter rates, particularly against the Pound Sterling which continued to weaken against major world currencies post-Brexit, until late in the second quarter. On a net basis, this negatively impacted foreign denominated revenue stated in CAD by approximately $3.3 million and positively on total costs by $1.9 million using the current quarter's exchange rates compared to Q2/16 rates. For the year to date, the exchange impact reduced revenue and costs by $8.0 million and $4.8 million, respectively. Sequentially compared to Q1/17, FX marginally impacted revenue in a positive manner by $0.4 million when compared to Q1/17 rates on locally denominated Q2/17 revenue.

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 $2.5 million in the current year's second quarter, primarily related to the revaluation of foreign currency denominated monetary assets and liabilities compared to losses of $0.4 million in the prior year's second quarter. The loss was recorded primarily as a result of the impact of the Canadian dollar weakening late in the quarter against the Pound Sterling, U.S. dollar, and the Euro on monetary liabilities denominated in these currencies held primarily in Canada. 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 income and other expense in the quarter compared to nominal income 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 either year's second quarter.

Income Tax Expense
During the quarter, the Company established a tax provision of $2.8 million as compared to a provision of $2.5 million in the prior year's second quarter. The Company paid $3.1 million in tax instalments in the quarter, compared to $2.6 million paid in the second quarter of the prior year and has paid $7.7 million year to date ($4.1 million – fiscal 2016 year to date).

Net Income
Net income was $9.0 million or $0.33 per share on a diluted basis in the quarter compared to $8.5 million or $0.31 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 $20.8 million or $0.76 per diluted share compared to $17.0 million or $0.62 per share.

Liquidity and Capital Resources:
The Company closed the quarter with cash and short-term investments of $87.6 million, compared to the October 31, 2016 balance of $85.9 million. This is after funding payment of $16.2 million (net of cash acquired and holdbacks) for Tollgrade acquired on April 12, 2017, $0.4 million for prior period acquisition payments and payment of $7.5 million in dividends year to date. The Company 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 $18.4 million compared to $20.7 million in the second quarter of the prior year. On a year to date basis the Company generated cash flows from operating activities of $29.0 million compared to $27.6 million last year.

The Company had 26,952,462 Common Shares issued and outstanding as at June 8, 2017. During the second quarter, 14,000 stock options were exercised contributing $0.2 million in cash to the Company. In comparison, 1,500 options were exercised in the prior year's second quarter adding nominal cash. The Company granted 255,000 options in the second quarter of the fiscal year compared to 45,000 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 26, 2017 and expiring April 25, 2018, whereby it may repurchase up to a maximum of 1,882,016 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, 2016, contained in the Company's 2016 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, 2016, 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, 2016, 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, 2016, 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, 2017 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, 2017 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, 2017	October 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 80,904	$ 78,436
Short-term investments	6,667	7,423
Accounts receivable, net	90,989	73,588
Prepaid expenses and other assets	10,485	9,720
	189,045	**169,167**
Non-current assets		
Long-term deposits and accounts receivable, net	1,131	1,357
Property, plant and equipment	5,710	5,696
Intangible assets (Note 4)	92,058	86,632
Goodwill (Note 4)	156,265	144,578
Deferred income tax assets	9,881	11,765
Total assets	**$ 454,090**	**$ 419,195**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 59,350	$ 55,440
Income taxes payable	1,920	5,139
Dividends payable	4,312	3,767
Provisions (Note 5)	856	2,111
Deferred revenue	63,936	54,300
Current portion of long-term loans	395	-
	130,769	**120,757**
Non-current liabilities		
Deferred income tax liabilities	24,252	21,053
Deferred revenue	6,245	4,788
Net employee defined benefit obligation	2,357	-
Long-term loans	2,272	4,049
Total liabilities	**165,895**	**150,647**
Shareholders' Equity		
Share capital (Note 6)	70,271	69,555
Contributed surplus	4,272	3,875
Retained earnings	200,326	187,649
Accumulated other comprehensive income	13,326	7,469
Total shareholders' equity	**288,195**	**268,548**
Total liabilities and shareholders' equity	**$ 454,090**	**$ 419,195**
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	
	2017	**2016**	**2017**	**2016**
Revenue				
Software licenses	$ 23,781	$ 24,444	$ 47,989	$ 45,214
Hosted and maintenance services	39,910	38,300	79,076	76,106
Professional services	14,852	14,482	28,820	28,917
Hardware	1,000	1,311	2,498	2,670
	79,543	**78,537**	**158,383**	**152,907**
Direct costs				
Software licenses	1,453	1,203	3,562	2,360
Services	22,606	22,698	44,849	44,488
Hardware	625	925	1,626	1,730
	24,684	**24,826**	**50,037**	**48,578**
Revenue, net of direct costs	**54,859**	**53,711**	**108,346**	**104,329**
Operating expenses				
Selling, general and administrative	23,327	22,915	42,818	43,056
Research and development	11,071	11,477	21,907	22,878
Depreciation of property, plant and equipment	595	791	1,209	1,617
Special charges (Note 5)	383	412	481	819
	35,376	**35,595**	**66,415**	**68,370**
Results from operating activities	**19,483**	**18,116**	**41,931**	**35,959**
Amortization of acquired software and customer relationships	(7,511)	(7,008)	(14,968)	(13,848)
Finance income	60	21	99	54
Finance expenses	(142)	(87)	(249)	(168)
Other (expense) income	(19)	22	151	55
Income before income taxes	**11,871**	**11,064**	**26,964**	**22,052**
Provision for income taxes (Note 8)	2,844	2,544	6,204	5,071
Net income for the period	**$ 9,027**	**$ 8,520**	**$ 20,760**	**$ 16,981**
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences from foreign operations	14,667	(18,240)	7,978	(9,457)
Transfer to net income of realized gains on available for sale investments	-	-	-	(14)
Unrealized loss on available for sale investments	(2,352)	(60)	(2,445)	(199)
Deferred income tax recovery	312	8	324	28
Other comprehensive income (loss)	**12,627**	**(18,292)**	**5,857**	**(9,642)**
Comprehensive income (loss)	**$ 21,654**	**$ (9,772)**	**$ 26,617**	**$ 7,339**
Earnings per share				
Basic	$ 0.34	$ 0.32	$ 0.77	$ 0.63
Diluted	$ 0.33	$ 0.31	$ 0.76	$ 0.62

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, 2016	**26,906,962**	**69,555**	**3,875**	**7,469**	**187,649**	**268,548**
Net income	-	-	-	-	20,760	20,760
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	7,978	-	7,978
Transfer to net income of realized gains on available for-sale investments	-	-	-	-	-	-
Unrealized loss on available-for-sale investments	-	-	-	(2,445)	-	(2,445)
Deferred income tax recovery	-	-	-	324	-	324
Comprehensive income for the period	**-**	**-**	**-**	**5,857**	**20,760**	**26,617**
Employee share options:						
Value of services recognized	-	-	544	-	-	544
Proceeds on issuing shares	45,500	716	(147)	-	-	569
Dividends	-	-	-	-	(8,083)	(8,083)
Balance – April 30, 2017	**26,952,462**	**70,271**	**4,272**	**13,326**	**200,326**	**288,195**
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 loss 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**

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	
	2017	**2016**	**2017**	**2016**
Cash flows from operating activities				
Net income	$ 9,027	$ 8,520	$ 20,760	$ 16,981
Adjustments for:				
Depreciation of property, plant and equipment	595	791	1,209	1,617
Amortization of acquired software and customer relationships	7,511	7,008	14,968	13,848
Stock-based compensation expense	356	251	544	576
Provision for income taxes	2,844	2,544	6,204	5,071
Finance expenses and other expense/income	161	65	98	113
	20,494	**19,179**	**43,783**	**38,206**
Changes in non-cash operating working capital (Note 13)	956	4,122	(7,062)	(6,502)
Income taxes paid	(3,090)	(2,608)	(7,686)	(4,105)
Net cash flows from operating activities	**18,360**	**20,693**	**29,035**	**27,599**
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(354)	(1,001)	(919)	(2,319)
Purchase of other software	(731)	(485)	(1,220)	(619)
Acquisitions, net of cash acquired of $3,637 (2016 - $2,202) (Note 10)	(16,170)	(3,334)	(16,170)	(29,353)
Purchase consideration for prior period acquisitions (Note 10)	(51)	(2,753)	(444)	(3,443)
Net (purchase) sale of short-term investments	(722)	350	(1,330)	(695)
Net cash flows used in investing activities	**(18,028)**	**(7,223)**	**(20,083)**	**(36,429)**
Cash flows from financing activities				
Issuance of share capital	205	11	569	2,508
Repayment of loans	-	-	(1,667)	-
Payment of cash dividend	(3,771)	(3,218)	(7,538)	(6,408)
Net cash flows used in financing activities	**(3,566)**	**(3,207)**	**(8,636)**	**(3,900)**
Effect of currency translation adjustments on cash and cash equivalents	3,494	(4,449)	2,152	(1,273)
Net increase (decrease) in cash and cash equivalents during the period	**260**	**5,814**	**2,468**	**(14,003)**
Cash and cash equivalents - beginning of period	80,644	74,314	78,436	94,131
Cash and cash equivalents - end of period	**$ 80,904**	**$ 80,128**	**$ 80,904**	**$ 80,128**

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 six months ended April 30, 2017 and 2016
(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, Spain, Columbia 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, 2016, which have been prepared in accordance with IFRS. These unaudited condensed consolidated interim financial statements were approved for issue on June 8, 2017.

(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 2016 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 April 30, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending October 31, 2017 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 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, 2016, 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 and six months ended April 30, 2017 and 2016
(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.

4. Intangible assets and Goodwill

	Acquired Software $	Other Software $	Customer Relationships $	Total Intangibles $	Goodwill $
At November 1, 2016					
Cost	144,211	2,116	85,694	232,021	144,578
Accumulated amortization	(99,044)	(55)	(46,290)	(145,389)	-
Net book value	**45,167**	**2,061**	**39,404**	**86,632**	**144,578**
Period ended April 30, 2017					
Opening net book value	**45,167**	**2,061**	**39,404**	**86,632**	**144,578**
Purchase Price Adjustments	-	-	-	-	50
Additions	5,333	1,220	12,319	18,872	7,997
Amortization	(9,024)	(208)	(5,736)	(14,968)	-
Exchange difference	495	-	1,027	1,522	3,640
Closing net book value	**41,971**	**3,073**	**47,014**	**92,058**	**156,265**
At April 30, 2017					
Cost	149,544	3,336	98,013	250,893	156,265
Accumulated amortization	(107,573)	(263)	(50,999)	(158,835)	-
Net book value	**41,971**	**3,073**	**47,014**	**92,058**	**156,265**

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, 2016	**$ 2,111**
Additional provisions	693
Unused amounts reversed	(361)
Recovered/(Utilized) during the period	(1,496)
Effect of movements in foreign exchange	(91)
At April 30, 2017	**$ 856**

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 26,952,462 common shares outstanding as at April 30, 2017. There were no Class A and no Class B preference shares issued and outstanding as at either October 31, 2016 or April 30, 2017.

Common share repurchase plan
On April 26, 2017, the Company renewed its common share repurchase plan, whereby it may repurchase up to a maximum of 1,882,016 common shares of the Company, expiring on April 25, 2018. The Company did not repurchase any common shares in either of fiscal 2017 or in fiscal 2016.

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 $nil on a year to date basis (YTD-2016 - recovery of $295).

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 $324 on a year to date basis (YTD-2016 - recovery of $28).

Dividends
During the three months ended April 30, 2017, the Company declared and paid dividends of $0.16 and $0.14, respectively, per common share (three months ended April 30, 2016 - $0.14 and $0.12 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 1,429,200 (April 30, 2016 – 1,568,700) 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, 2017 and April 30, 2016, and changes during the three and six months ended respectively on those dates is presented as follows:

Three months ended:	**April 30, 2017**		**April 30, 2016**	
	Number of Options	**Weighted Average Exercise Price in $**	**Number of Options**	**Weighted Average Exercise Price in $**
Outstanding at beginning of period	707,000	29.88	747,000	25.16
Granted	255,000	59.87	45,000	53.04
Exercised	(16,000)	12.81	(1,500)	7.40
Outstanding at end of period	**946,000**	**38.25**	**790,500**	**26.78**
Options exercisable at end of period	**483,000**	**24.22**	**400,500**	**18.95**

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended April 30, 2017 and 2016
(Unaudited, in thousands of Canadian dollars, except as indicated)

Six months ended:	April 30, 2017		April 30, 2016	
	Number of Options	Weighted Average Exercise Price in $	Number of Options	Weighted Average Exercise Price in $
Outstanding at beginning of period	741,500	29.34	971,200	21.92
Granted	255,000	59.87	45,000	53.04
Exercised	(45,500)	12.47	(225,700)	11.11
Forfeited	(5,000)	53.04	-	-
Outstanding at end of period	**946,000**	**38.25**	**790,500**	**26.78**
Options exercisable at end of period	**483,000**	**24.22**	**400,500**	**18.95**

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 2017, the Company recorded a non-cash charge of $356 (Q2/2016 - $251) with respect to stock options expense for past and current grants.

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 2017	Options Granted FY 2016
Risk-free interest rate (%)	0.60%–1.02%	0.53%
Estimated volatility (%)	26% – 27%	24% – 25%
Dividend yield	$0.64	$0.56
Expected life (in years)	3.5	3.5 – 6.3
Weighted average fair value (in dollars)	$9.40 – $11.71	$9.01

There were 255,000 options granted for the six months ended April 30, 2017 (45,000 – 2016).

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, 2017 was a provision of 24.0%. The effective tax rate for the six month period was a provision of 23.0%. The effective tax rate for the three and six month periods ending April 30, 2016 was 23.0%.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended April 30, 2017 and 2016
(Unaudited, in thousands of Canadian dollars, except as indicated)

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	
	2017	**2016**	**2017**	**2016**
Net income attributable to owners of the parent	$ 9,027	$ 8,520	$ 20,760	$ 16,981
Weighted average number of common shares in issue	26,944	26,812	26,931	26,753
Basic earnings per share	**$ 0.34**	**$ 0.32**	**$ 0.77**	**$ 0.63**

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	
	2017	**2016**	**2017**	**2016**
Net income attributable to owners of the parent	$ 9,027	$ 8,520	$ 20,760	$ 16,981
Weighted average number of common shares issued	26,944	26,812	26,931	26,753
Adjustments for:				
Stock options	323	398	310	435
Weighted average number of common shares for diluted earnings per share	27,267	27,210	27,241	27,188
Diluted earnings per share	**$ 0.33**	**$ 0.31**	**$ 0.76**	**$ 0.62**

10. Acquisitions
Acquisitions have been recorded under the acquisition method of accounting and results have been included in the 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.

2017 Acquisitions:

Asset Management Group
The Company acquired 100% of the issued and outstanding common shares of Tollgrade Communications, Inc. ("Tollgrade") on April 12, 2017 for an aggregate cash purchase price of approximately $23.1 million. Of this amount approximately $3.4 million remains subject to hold back and adjustment. Results are included in the Asset Management Group from date of acquisition.

Headquartered in Cranberry, Pennsylvania, Tollgrade is a leading provider of centralized, software based test systems for broadband telecom access providers. The purchase price allocation has not been finalized subject to receipt of additional information.

The gross contractual amounts of acquired receivables in 2017 was $6.6 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 2017 business acquisitions is material to either consolidated revenue or consolidated net income.

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 was integrated into each of Enghouse's segments. Results of the CTI Proteus operating unit are included in the Interactive Management Group while 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 which 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 $4.5 million or $3.4 million net of cash acquired and hold backs. Of this amount approximately $0.6 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 finalized subject to receipt of additional information.

The Company acquired the assets of NetBoss Technologies ("NetBoss") on May 27, 2016 for an aggregate cash purchase price of approximately $9.0 million or $6.8 million net of cash acquired and hold backs. Of this amount approximately $1.9 million remains subject to hold back and adjustment. Results are included in the Asset Management Group from date of acquisition.

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 finalized subject to receipt of additional information.

Interactive Management Group
The Company acquired 100% of the issued and outstanding common shares of Presence Technology, S.L. ("Presence") on October 28, 2016 for an aggregate cash purchase price of approximately $21.9 million or $16.5 million net of cash acquired and hold backs. Of this amount approximately $2.2 million remains subject to hold back and adjustment. Aggregate contingent consideration of $1.5 million has been reported in the consolidated statement of financial position at its estimated fair value. Results were included in the Interactive Management group from November 1, 2016. The opening statement of financial position of Presence on acquisition was included in the consolidated financial statements of financial position as at October 31, 2016.

Headquartered in Barcelona, Spain, Presence is a leading provider of multi-channel contact center software solutions with specific focus on Spanish speaking markets. The Company's suite of applications provides its approximately 200 clients with a flexible architecture to deploy contact center capabilities on-premise, in the cloud or on a hybrid basis. The product suite is available in English and Spanish, with end-user modules also available in Portuguese. This has enabled Presence to establish a leadership position in its core markets of Spain, the Americas and Sub-Saharan Africa.

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. $1.6 million of the total goodwill of $24.8 million recorded in 2016 arising from these acquisitions is deductible for tax purposes.

The gross contractual amounts of acquired receivables in 2016 was $12.5 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:

	Asset Management Group Preliminary 2017	Interactive Management Group Preliminary 2016	Asset Management Group Preliminary 2016
Cash and cash equivalents	$ 3,637	$ 3,243	$ 1,987
Accounts receivable, net	6,253	5,690	6,782
Prepaid expenses and other assets	981	170	928
Deposits	-	873	-
Property, plant and equipment	98	407	413
Deferred income tax assets	-	106	-
Acquired software	5,333	11,237	16,468
Customer relationships	12,319	7,054	10,055
Goodwill	7,997	19,493	5,289
Total assets acquired	**$ 36,618**	**$ 48,273**	**$ 41,922**
Less: Current liabilities assumed	$ 6,352	$ 4,354	$ 10,997
Less: Long-term loans	-	4,049	-
Less: Deferred income tax liabilities	4,866	4,751	2,902
Less: Other long-term liabilities	2,259	-	-
Total liabilities assumed	**$ 13,477**	**$ 13,154**	**$ 13,899**
Net assets acquired for cash consideration	**$ 23,141**	**$ 35,119**	**$ 28,023**

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

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended April 30, 2017 and 2016
(Unaudited, in thousands of Canadian dollars, except as indicated)

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 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, 2017			
Revenue	$ 47,077	$ 32,466	$ 79,543
Operating expenses excluding non-cash charges	(33,891)	(23,537)	(57,428)
Special charges	57	(440)	(383)
Depreciation of property, plant and equipment	(426)	(169)	(595)
Segment profit	**$ 12,817**	**$ 8,320**	**$ 21,137**
Corporate expenses			(1,654)
Results from operating activities			**$ 19,483**
Amortization of acquired software and customer relationships			(7,511)
Finance income			60
Finance expenses			(142)
Other expense			(19)
Income before income taxes			**$ 11,871**

	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)
Segment 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**

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended April 30, 2017 and 2016
(Unaudited, in thousands of Canadian dollars, except as indicated)

	Interactive Management Group	Asset Management Group	Total
Six months April 30, 2017			
Revenue	$ 94,631	$ 63,752	$ 158,383
Operating expenses excluding non-cash charges	(65,236)	(46,125)	(111,361)
Special charges	(137)	(344)	(481)
Depreciation of property, plant and equipment	(867)	(342)	(1,209)
Segmented profit	**$ 28,391**	**$ 16,941**	**$ 45,332**
Corporate expenses			(3,401)
Results from operating activities			**$ 41,931**
Amortization of acquired software and customer relationships			(14,968)
Finance income			99
Finance expenses			(249)
Other income			151
Income before income taxes			**26,964**
Goodwill	$ 94,989	$ 61,276	$ 156,265
Other assets	153,985	137,173	291,158
Short-term investments	-	-	6,667
Total assets	**$ 248,974**	**$ 198,449**	**$ 454,090**
Capital Expenditures	**$ 641**	**$ 278**	**$ 919**

	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**

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended April 30, 2017 and 2016
(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 April 30, 2017.

13. Changes in non-cash operating working capital

	Three months ended April 30,		Six months ended April 30,	
	2017	**2016**	**2017**	**2016**
Decrease (increase) in accounts receivable, net	$ 2,049	$ (6,994)	$ (9,057)	$ (14,227)
Decrease (increase) in prepaid expenses and other assets	1,597	473	1,306	(905)
Increase (decrease) in accounts payable & accrued liabilities	1,948	3,766	(2,864)	(3,986)
(Decrease) increase in provisions	(450)	197	(1,262)	965
Decrease in income taxes payable	(407)	(1,129)	(1,609)	(1,502)
(Decrease) increase in deferred revenue	(3,781)	7,809	6,424	13,153
	$ 956	**$ 4,122**	**$ (7,062)**	**$ (6,502)**