Third Quarter Report
July 31, 2014

Enghouse Systems

Software engineered for results

September 9, 2014

To our Shareholders,

Third quarter revenue was $55.5 million, an increase of 20% over revenue of $46.2 million in the third quarter last year. The increase in revenue reflects a combination of contributions from acquisitions, the positive impact of foreign exchange and organic growth. Revenue includes hosted and maintenance services contributions of $29.4 million in the quarter, an increase of 25% over last year. Adjusted EBITDA for the quarter was $14.4 million or $0.53 per diluted share compared to $12.2 million or $0.46 per diluted share in last year's third quarter. Results from operating activities for the quarter were $13.5 million compared to $11.7 million in the prior year's third quarter, an increase of 15% over the prior year. Net income for the quarter was $7.2 million or $0.27 per diluted share compared to the prior year's third quarter net income of $6.3 million or $0.24 per share.

On a year to date basis, revenue was $157.9 million compared to $132.7 million last year, an increase of 19%, while net income was $19.9 million or $0.74 per diluted share compared to $14.6 million or $0.55 per diluted share, an increase of 36%. Adjusted EBITDA was $40.4 million or $1.50 per diluted share compared to $32.5 million or $1.23 per diluted share last year.

Operating expenses increased to $26.0 million from $21.2 million in the prior year's third quarter and include incremental operating costs related to acquisitions, foreign exchange and special charges of $0.3 million related to restructuring of acquired operations. Non-cash amortization charges in the quarter were $4.3 million compared to $4.0 million in the prior year's third quarter and include amortization charges for acquired software and customer relationships including acquisitions completed in the current year.

Enghouse generated cash flows from operating activities of $17.0 million in the quarter and $40.7 million year to date compared to $14.8 million in the prior year's third quarter and $30.3 million in fiscal 2013. The Company closed the quarter with $105.0 million in cash, cash equivalents and short-term investments, compared to $90.3 million at October 31, 2013. This is after net cash paid of $7.5 million for the acquisition of Basset AB, completed July 1, 2014, $8.3 million for IT Sonix AG, completed March 3, 2014, $1.8 million for Information Access Technology Inc., acquired November 4, 2013 and final payments of $4.0 million made on previous acquisitions. Dividends of $6.8 million have also been paid year to date. The Company continues to have no debt.

The Board of Directors has approved an eligible quarterly dividend of $0.10 per common share, payable on November 28, 2014 to shareholders of record at the close of business on November 14, 2014.

Shortly after quarter end, the Company completed the acquisition of Jinny Software Limited ("Jinny") for a purchase price of approximately $19.3 million. Combined with the acquisition of Basset AB on July 1, 2014, the Company has significantly expanded the scale of its Asset Management Group. Jinny has operations in Latin America, Africa and the Middle East, while Basset is based in Sweden and has operations in Europe and the Middle East. Enghouse remains committed to further diversifying its revenue stream and continues to seek accretive acquisitions to grow its market share.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared as of September 9, 2014 and all information contained herein is current as of that date. 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 the Company's unaudited condensed consolidated interim financial statements and the notes thereto for the periods ended July 31, 2014 and 2013, as well as the Company's audited Consolidated Financial Statements and Management's Discussion and Analysis for the fiscal year ended October 31, 2013, contained in the Company's 2013 Annual Report to Shareholders. This MD&A covers the consolidated results of operations, financial condition and cash flows of Enghouse Systems Limited (the "Company" or "Enghouse") and its subsidiaries, all wholly owned, for the third quarter ended July 31, 2014. 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.

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

Non-GAAP Measures

The Company uses non-GAAP measures to assess its operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. The Company uses Adjusted EBITDA as a measure of operating performance. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Adjusted EBITDA is calculated as income before income taxes adjusted for depreciation of property, plant and equipment, amortization of acquired software and customer relationships, finance income, finance expenses, other income, 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, 2013, 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 such as telecom billing, intelligent routing, number portability, network asset management, GIS, wholesale revenue management solutions and data conversion services. The 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 is to continue to build 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 addressed through a combination of organic growth and acquisitions. While the Company continues to develop and enhance its existing product portfolio, it is also important to augment and expedite this strategy with new and complementary technology, products and services obtained through acquisition. This dual-faceted approach will enable the Company to provide a broader spectrum of products and services to its customer base more quickly than through organic means alone.

Quarterly Results of Operations

The following table sets forth certain unaudited information for each of the eight most recent quarters (the last of which ended July 31, 2014). Historically, the Company's operating results have fluctuated on a quarterly basis, which the Company expects will continue in the future. Fluctuations in results continue to relate to the timing of software license and hardware sales, which may result in large sales orders in any one quarter, movements in foreign currency exchange rates and to the timing of acquisitions, staffing and infrastructure changes. See "Risks and Uncertainties" for more details.

For the three months ending	Total revenue $	Net income $	Earnings per share – basic $	Earnings per share – diluted $	Cash and short-term investments $	Total assets $
July 31, 2014	55,488	7,215	0.28	0.27	104,958	313,069
April 30, 2014	54,951	6,558	0.25	0.24	101,014	312,124
January 31, 2014	47,492	6,172	0.24	0.23	100,081	303,677
October 31, 2013	47,171	9,712^	0.37	0.36	90,297	277,956
July 31, 2013	46,247	6,297	0.24	0.24	92,037	261,585
April 30, 2013	44,511	4,903	0.19	0.19	80,940	261,590
January 31, 2013	41,957	3,435	0.13	0.13	80,051	251,829
October 31, 2012	38,952	8,345^	0.32	0.32	83,652	239,710

^Includes credit adjustment to tax provision of $3.1 million in fiscal 2013 and $2.5 million in fiscal 2012 on the set-up of deferred tax assets related to non-capital losses

Results of Operations:
(in thousands of Canadian dollars except per share amounts)

	Q3/2014	Q3/2013	Year over year change $	%
Interactive Management Group	44,597	36,264	8,333	23.0
Asset Management Group	10,891	9,983	908	9.1
Total revenue	**55,488**	**46,247**	**9,241**	**20.0**
Direct costs	16,051	13,297	2,754	20.7
Revenue, net of direct costs	**39,437**	**32,950**	**6,487**	**19.7**
Operating expenses	25,635	21,144	4,491	21.2
Special charges	334	77	257	333.8
Results from operating activities	**13,468**	**11,729**	**1,739**	**14.8**
Amortization of acquired software and customer relationships	(4,273)	(4,025)	(248)	(6.2)
Finance income	119	90	29	32.2
Finance expense	(99)	(81)	(18)	22.2
Other income	35	307	(272)	(88.6)
Income before income taxes	9,250	8,020	1,230	15.3
Provision for income taxes	2,035	1,723	312	18.1
Net Income	**7,215**	**6,297**	**918**	**14.6**
Earnings per share – basic	0.28	0.24	0.04	16.7
Earnings per share – diluted	0.27	0.24	0.03	12.5
Cash flow from operating activities	**16,977**	**14,830**	**2,147**	**14.4**
Cash flow from operating activities excluding changes in working capital	**14,476**	**12,525**	**1,951**	**15.6**

Adjusted EBITDA:

The table below reconciles Adjusted EBITDA to income before income taxes:

	Three Months ended		Nine Months ended	
	July 31, 2014	**July 31, 2013**	**July 31, 2014**	**July 31, 2013**
Total Revenue	**$ 55,488**	**$ 46,247**	**$157,931**	**$ 132,715**
Income before income taxes	9,250	8,020	25,253	18,606
Depreciation of property, plant and equipment	577	425	1,672	1,303
Amortization of acquired software and customer relationships	4,273	4,025	12,414	11,485
Finance income	(119)	(90)	(386)	(517)
Finance expenses	99	81	232	258
Other income	(35)	(307)	(43)	(1,116)
Special charges	334	77	1,256	2,491
Adjusted EBITDA	**$ 14,379**	**$ 12,231**	**$ 40,398**	**$ 32,510**
Adjusted EBITDA margin	**26%**	**26%**	**26%**	**24%**
Adjusted EBITDA per diluted share	**$ 0.53**	**$ 0.46**	**$ 1.50**	**$ 1.23**

Revenue

Total revenue for the quarter was $55.5 million compared to $46.2 million in the prior year's third quarter, a 20% increase. Hosted services and maintenance revenue was $29.4 million compared to $23.5 million in the prior year's third quarter, an increase of 25%. This includes maintenance revenue of $24.2 million compared to $20.3 million in the prior year's third quarter and reflects incremental maintenance revenue from license sales in the past fiscal year as well as contributions from acquired operations. Hosted services revenue represents $5.2 million in revenue, a 63% increase over Q3/13 as a result of increased organic hosted activity and contributions from IAT, Enghouse Knowledge Management Solutions ("EKMS", formerly SafeHarbor) and IT Sonix. License revenue was $18.2 million compared to $15.2 million in the prior year's third quarter and reflects incremental subscription revenue booked in the quarter.

Revenue for the fiscal year to date was $157.9 million compared to $132.7 million in fiscal 2013, a 19% increase. Hosted and maintenance services revenue grew 23% in the year to $82.8 million and represents 52% of revenue compared to 51% last year. Revenue also includes license revenue of $52.8 million, a 20% increase over last year.

The Interactive Management Group contributed $44.6 million in revenue in the quarter, compared to $36.3 million reported in the third quarter of fiscal 2013. The increase is attributable to incremental contributions from acquisitions completed after last year's third quarter. The Asset Management Group contributed revenue of $10.9 million in the quarter, compared to $10.0 million reported in the third quarter of fiscal 2013 and reflects incremental revenue from Basset, acquired July 1, 2014. On a year to date basis, the Interactive Management Group contributed $126.3 million compared to $109.2 million last year with the growth being largely attributable to a combination of favourable exchange rates and acquisitions. The Asset Management Group revenue was $31.6 million compared to $23.5 million as a result of contributions from the Locus and Basset acquisitions.

Both revenue and costs were impacted by the weakening Canadian dollar as the U.S. dollar compared to the Canadian dollar averaged $1.08 in the current quarter and $1.03 in the prior year's third quarter. The Pound Sterling averaged $1.83 in the current quarter compared to $1.58 in the prior year's third quarter, while the Swedish Kronor averaged $0.164 in the current quarter vs. $0.156 in the prior year's third quarter.

Direct costs

Direct costs for the quarter were $16.1 million or 28.9% of revenue compared to $13.3 million or 28.8% of revenue in the prior year's third quarter. The increase in costs and decrease in margins is attributable to incremental costs associated with third party services on the Company's incremental hosted and maintenance services and professional services revenue.

Operating Expenses

Operating expenses for the quarter were $26.0 million, compared to $21.2 million reported in the third quarter of last year and include special charges related to restructuring initiatives undertaken on acquired operations (Basset) of $0.3 million in the quarter. The increase in costs also reflect incremental operating costs related to newly acquired operations and the impact of the weaker Canadian dollar which increased operating costs in Canadian dollars. Last year's operating expenses included $0.1 million in special charges related to acquisitions. Operating costs, excluding special charges, as a percentage of total revenue were 46.2% in the quarter and reflect reductions in organic headcount related costs and operating cost synergies. For the fiscal year, operating expenses, excluding restructuring costs increased to $73.1 million or 46.3% of revenue from $64.1 million (48.3%) in fiscal 2013 as a result of acquisitions.

The Company continues to invest in R&D for future growth. R&D expenses were $8.9 million or 16.0% as a percentage of revenue in the quarter, compared to $7.4 million or 16.0% in the prior year. This is net of R&D tax credits of $0.1 million and $0.3 million respectively recorded in the current and prior year's third quarters. For the fiscal year, R&D was $27.0 million or 17.1% compared to $22.5 million (17.0%) and reflect incremental efforts on the integration of newly acquired operations and products.

Non-cash charges for amortization of acquired software and customer relationships related to acquisitions were $4.3 million. This is up from the prior year's third quarter expense of $4.0 million as a result of incremental charges related to acquisitions completed since the third quarter of last year, which were partially offset by expiring amortization charges from previous acquisitions. On a year to date basis, this represents a charge of $12.4 million versus $11.5 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 recent acquisitions in the Scandinavian region and Germany, 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, Swedish kronor, euros, as well as currencies in the Asia Pacific region.

During the past quarter, the Canadian dollar continued to weaken against major currencies including the U.S. dollar, the pound sterling, the Swedish krona and the euro. 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. Revenue was positively impacted by an estimated $3.4 million, while costs increased by an estimated $2.9 million, as calculated by applying the change in the average exchange rates from Q3/13 to Q3/14 to the Company's foreign currency denominated revenue and direct costs and operating expenses in Q3/14.

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 nominal foreign exchange gains related to foreign currency denominated monetary assets and liabilities in the current year's third quarter compared to losses of $0.1 million in the prior year's third quarter. The Company records these foreign exchange gains and losses in selling, general and administrative expenses in the 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 finance and other income of $0.2 million in the quarter compared to $0.4 million in the third quarter of fiscal 2013, which included gains recognized in other income on the sale of equity positions held.

Income Tax Expense
During the quarter, the Company established a tax provision of $2.0 million or a 22.0% effective tax rate as compared to a provision of $1.7 million or 21.5% in the prior year's third quarter. The increase in the effective tax rate relates to the relative profit mix by country. The Company paid $1.1 million in tax installments in the quarter, compared to $0.7 million in the third quarter of fiscal 2013.

Net Income
Net income was $7.2 million or $0.27 per share on a diluted basis in the quarter compared to $6.3 million or $0.24 per share respectively in the third quarter of fiscal 2013, as a result of incremental operating profits on organic operations and acquisitions. For the year to date, net income was $19.9 million or $0.74 per diluted share compared to $14.6 million or $0.55 per share.

Liquidity and Capital Resources:
The Company closed the quarter with cash reserves of $105.0 million, compared to the October 31, 2013 balance of $90.3 million. This is after funding new acquisitions, Information Access Technology, Inc. ("IAT"), completed November 4, 2013, IT Sonix AG, completed March 3, 2014 and Basset AB, completed July 1, 2014 and finalizing holdbacks on the Vision, Albatross and Locus acquisitions for a total payment of $21.5 million in the year. 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 flow from operating activities of $17.0 million compared to $14.8

million in the third quarter of 2013. On a year to date basis, Enghouse has generated $40.7 million in cash flow from operating activities compared to $30.3 million in fiscal 2013.

The Company had 26,141,462 Common Shares issued and outstanding as at September 9, 2014. During the third quarter, 15,000 stock options were exercised contributing $0.1 million in cash to the Company. In comparison, 35,000 options were exercised in the prior year's third quarter adding $0.2 million. The Company did not grant options in the third quarter of the fiscal year compared to 90,000 in the third quarter last year. Enghouse did not repurchase any shares of its common stock in either fiscal year under its Normal Course Issuer Bid.

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.

Basis of preparation and significant accounting policies

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 2013 annual consolidated financial statements.

The policies applied in these unaudited condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of September 10, 2014, the date the Board of Directors approved the unaudited condensed consolidated interim financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending October 31, 2014 could result in a restatement of these unaudited condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2013 annual consolidated financial statements.

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, 2013, contained in the Company's 2013 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 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, 2013, 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, 2013, 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, 2013, 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.

There were no changes to the Company's internal control over financial reporting during the quarter ended July 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional Information

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

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended July 31, 2014 have been prepared by and are the responsibility of the Company's management.

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

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)
(Unaudited)

	July 31, 2014	October 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 85,331	$ 70,109
Short-term investments	19,627	20,188
Accounts receivable, net	39,134	36,444
Income tax receivable	203	-
Prepaid expenses and other assets	7,651	5,839
	151,946	**132,580**
Non-current assets:		
Property, plant and equipment	3,783	3,599
Intangible assets (Note 4)	150,203	132,358
Deferred income tax assets	7,137	9,419
Total assets	**$ 313,069**	**$ 277,956**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 35,752	$ 32,659
Income taxes payable	-	1,555
Dividends payable	2,614	2,083
Accrued provisions (Note 5)	3,601	3,427
Deferred revenue	48,380	39,325
	90,347	**79,049**
Non-current liabilities:		
Deferred income tax liabilities	17,693	14,482
Deferred revenue	2,235	1,797
Total liabilities	**110,275**	**95,328**
Shareholders’ Equity		
Share capital (Note 6)	59,567	58,514
Contributed surplus	3,616	3,175
Retained earnings	128,431	115,800
Accumulated other comprehensive income	11,180	5,139
Total shareholders’ equity	**202,794**	**182,628**
Total liabilities and shareholders’ equity	**$ 313,069**	**$ 277,956**

Commitments and contingencies (Note 12)

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

	Three months ended July 31		Nine months ended July 31	
	2014	**2013**	**2014**	**2013**
Revenue				
Software licenses	$ 18,172	$ 15,189	$ 52,807	$ 43,877
Hosted and maintenance services	29,424	23,543	82,783	67,500
Professional services	6,617	6,013	17,849	17,581
Hardware	1,275	1,502	4,492	3,757
	55,488	**46,247**	**157,931**	**132,715**
Direct costs				
Software licenses	1,142	1,113	4,026	3,191
Services	14,071	11,243	39,164	31,719
Hardware	838	941	2,935	2,538
	16,051	**13,297**	**46,125**	**37,448**
Revenue, net of direct costs	**39,437**	**32,950**	**111,806**	**95,267**
Operating expenses				
Selling, general and administrative	16,202	13,298	44,392	40,221
Research and development	8,856	7,421	27,016	22,536
Depreciation of property, plant and equipment	577	425	1,672	1,303
Special charges (Note 5)	334	77	1,256	2,491
	25,969	**21,221**	**74,336**	**66,551**
Results from operating activities	**13,468**	**11,729**	**37,470**	**28,716**
Amortization of acquired software and customer relationships	(4,273)	(4,025)	(12,414)	(11,485)
Finance income	119	90	386	517
Finance expenses	(99)	(81)	(232)	(258)
Other income	35	307	43	1,116
Income before income taxes	**9,250**	**8,020**	**25,253**	**18,606**
Provision for income taxes (Note 8)	2,035	1,723	5,308	3,971
Net income for the period	**$ 7,215**	**$ 6,297**	**$ 19,945**	**$ 14,635**
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences from foreign operations	(4,376)	(162)	6,145	221
Transfer to net income of realized gains on available for sale investments	(19)	(1,333)	(56)	(2,201)
Unrealized (loss) gain on available for sale investments	(6)	1,275	(64)	2,267
Deferred income tax recovery (expense)	3	8	16	(9)
Other comprehensive income (loss)	**(4,398)**	**(212)**	**6,041**	**278**
Comprehensive income	**$ 2,817**	**$ 6,085**	**$ 25,986**	**$ 14,913**
Earnings per share				
Basic	**$ 0.28**	**$ 0.24**	**$ 0.76**	**$ 0.57**
Diluted	**$ 0.27**	**$ 0.24**	**$ 0.74**	**$ 0.55**

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, 2013	**26,042,962**	**58,514**	**3,175**	**5,139**	**115,800**	**182,628**
Net income	**-**	**-**	**-**	**-**	19,945	19,945
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	6,145	-	6,145
Transfer to net income of realized gains on available-				(56)		(56)
for-sale investments	-	-	-	(64)	-	(64)
Unrealized loss on available-for-sale investments	-	-	-		-	
Deferred income tax recovery	-	-	-	16	-	16
Comprehensive income for the period	**-**	**-**	**-**	**6,041**	**19,945**	**25,986**
Employee share options:						
Value of services recognized			676	-	-	676
Proceeds on issuing shares	98,500	1,053	(235)	-	-	818
Dividends	-	-	-		(7,314)	(7,314)
Balance – July 31, 2014	**26,141,462**	**59,567**	**3,616**	**11,180**	**128,431**	**202,794**
Balance – November 1, 2012	**25,780,562**	**55,751**	**2,847**	**(29)**	**99,371**	**157,940**
Net income	-	-	-	-	14,635	14,635
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	221	-	221
Transfer to net income of realized gains on available-						
for-sale investments	-	-	-	(2,201)	-	(2,201)
Unrealized loss on available-for-sale investments	-	-	-	2,267	-	2,267
Deferred income tax expense	-	-	-	(9)	-	(9)
Comprehensive income for the period	**-**	**-**	**-**	**278**	**14,635**	**14,913**
Employee share options:						
Value of services recognized	-	-	704	-	-	704
Proceeds on issuing shares	207,400	2,128	(544)	-	-	1,584
Dividends	-	-	-	-	(5,835)	(5,835)
Balance – July 31, 2013	**25,987,962**	**57,879**	**3,007**	**249**	**108,171**	**169,306**

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

Condensed Consolidated Interim Statements of Cash Flows

(*in thousands of Canadian dollars)*
(Unaudited)

	Three months ended July 31 2014	2013	Nine months ended July 31 2014	2013
Cash flows from operating activities				
Net income	$ 7,215	$ 6,297	$ 19,945	$ 14,635
Adjustments for:				
Depreciation of property, plant and equipment	577	425	1,672	1,303
Amortization of acquired software and customer relationships	4,273	4,025	12,414	11,485
Stock-based compensation expense	312	281	676	704
Income tax expense	2,035	1,723	5,308	3,971
Finance expenses and other income	64	(226)	189	(858)
	14,476	**12,525**	**40,204**	**31,240**
Changes in non-cash operating working capital (Note 13)	3,646	3,029	4,860	2,556
Income tax paid	(1,145)	(724)	(4,317)	(3,510)
Net cash flows from operating activities	**16,977**	**14,830**	**40,747**	**30,286**
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(525)	(194)	(1,313)	(1,165)
Acquisitions, net of cash acquired of $969 ($3,617 - 2013) (Note 10)	(7,469)	(381)	(17,529)	(17,212)
Purchase consideration for prior period acquisitions (Note 10)	(579)	(2,593)	(4,001)	(2,593)
Net sale of short-term investments	(1,955)	(10,881)	1,291	(6,078)
Net cash flows used in investing activities	**(10,528)**	**(14,049)**	**(21,552)**	**(27,048)**
Cash flows from financing activities				
Issuance of share capital	103	209	818	1,584
Payment of cash dividend	(2,613)	(2,076)	(6,783)	(5,432)
Net cash flows used in financing activities	**(2,510)**	**(1,867)**	**(5,965)**	**(3,848)**
Effect of currency translation adjustments on cash and cash equivalents	(1,410)	(181)	1,992	(142)
Net increase (decrease) in cash and cash equivalents during the period	**2,529**	**(1,267)**	**15,222**	**(752)**
Cash and cash equivalents- beginning of period	82,802	60,059	70,109	59,544
Cash and cash equivalents - end of period	**$ 85,331**	**$ 58,792**	**$ 85,331**	**$ 58,792**

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

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2014 and 2013

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

1. Description of the business and reporting entity

Enghouse Systems Limited 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 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, Germany, Australia, New Zealand, Israel and Croatia.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2013, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved for issue on September 10, 2014.

(b) Basis of measurement

The condensed consolidated interim financial statements 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.

(c) Functional and presentation of currency

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of the 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 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, 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual income.

New Standards and interpretations adopted

IFRS 10 – Consolidated Financial Statements ("IFRS 10") requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee *(SIC)-12 – Consolidation – Special Purpose Entities* and parts of *IAS 27 – Consolidated and Separate Financial Statements*. The Company has adopted the standard for the annual period beginning on November 1, 2013. The standard did not have a material impact on the condensed consolidated interim financial statements.

IFRS 11 – Joint Arrangements ("IFRS 11") requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes *IAS 31 – Interests in Joint Ventures, and SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers*. The Company has adopted the standard for the annual period beginning on November 1, 2013. The standard did not have a material impact on the condensed consolidated interim financial statements.

IFRS 12 – Disclosure of Interests in Other Entities establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Company has adopted the standard for the annual period beginning on November 1, 2013. The standard did not have a material impact on the condensed consolidated interim financial statements.

IFRS 13 – Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company has adopted the standard for the annual period beginning on November 1, 2013. The standard did not have a material impact on the condensed consolidated interim financial statements.

IFRS 7 - Offsetting Financial Assets and Liabilities ("IFRS 7") - IFRS 7 has been amended to include additional disclosure requirements for financial assets and liabilities that can be offset in the statement of financial position. The Company has adopted the amendment for the annual period beginning on November 1, 2013. The amendment did not have a material impact on the condensed consolidated interim financial statements.

New Standards and interpretations issued but not yet applied

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") – IFRS 15 is a new standard effective for fiscal years beginning on or after January 1, 2017 and may be early adopted. The standard contains a single model for revenue recognition that applies to contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on November 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2014 and 2013

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

IFRS 9, "Financial Instruments" ("IFRS 9") – IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, updated and further amended in October 2010, November 2013 and July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated statement of net income (loss), unless this creates an accounting mismatch. IFRS 9 was amended to include: (i) guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income (without having to adopt the remainder of IFRS 9); (iii) introduces a single, principle based approach for determining the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held and results in a single impairment model to be applied to all financial instruments, which requires more timely recognition in profit or loss; and (iv) removes the previous mandatory effective date of January 1, 2015, although the standard is available for early adoption. The Company has yet to assess IFRS 9's full impact and intends to adopt IFRS 9 in the accounting period beginning on or after January 1, 2018. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

4. Intangible assets

	Acquired Software	Customer Relationships	Goodwill	Total
	$	$	$	$
At November 1, 2013				
Cost	85,101	45,287	81,248	211,636
Accumulated depreciation	(57,697)	(21,581)	-	(79,278)
Net book value	**27,404**	**23,706**	**81,248**	**132,358**
Period ended July 31, 2014				
Opening net book value	27,404	23,706	81,248	132,358
Acquisition	10,476	8,010	7,963	26,449
Amortization	(7,649)	(4,765)	-	(12,414)
Purchase Price Adjustments	-	-	(947)	(947)
Exchange difference	400	499	3,858	4,757
Closing net book value	**30,631**	**27,450**	**92,122**	**150,203**
At July 31, 2014				
Cost	95,577	53,297	92,122	240,996
Accumulated amortization	(64,946)	(25,847)	-	(90,793)
Net book value	**30,631**	**27,450**	**92,122**	**150,203**

5. Accrued provisions

Accrued 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.

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

	Total
At November 1, 2013	**$ 3,427**
Additional provisions	1,474
Unused amounts reversed	(77)
Utilized during the period	(1,321)
Effect of movements in foreign exchange	98
At July 31, 2014	**$ 3,601**

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 26,141,462 common shares outstanding as at July 31, 2014. There were no Class A and no Class B preference shares issued and outstanding as at either October 31, 2013 or July 31, 2014.

Common share repurchase plan
On April 16, 2014, the Company renewed its common share repurchase plan, whereby it may repurchase up to a maximum of 1,802,756 common shares of the Company, expiring on April 15, 2015. The Company did not repurchase any common shares in either of fiscal 2014 or in fiscal 2013.

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 $102 on a year to date basis (YTD-2013- recovery of $65).

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 $16 on a year to date basis (YTD-2013- expense of $9).

Dividends
During the three months ended July 31, 2014, the Company declared and paid dividends of $0.10 per common share (three months ended July 31, 2013 - $0.08 per common share).

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2014 and 2013

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

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 2,240,200 (July 31, 2013 – 2,393,700) 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 July 31, 2014 and July 31, 2013, and changes during the three and nine months ended respectively on those dates is presented as follows:

Three months ended:	**July 31, 2014**		**July 31, 2013**	
	Number of Options	**Weighted Average Exercise Price in $**	**Number of Options**	**Weighted Average Exercise Price in $**
Outstanding at beginning of period	1,364,500	14.41	1,408,000	11.36
Granted	-	-	90,000	23.68
Exercised	(15,000)	6.93	(35,000)	5.96
Outstanding at end of period	**1,349,500**	**14.49**	**1,463,000**	**12.25**
Options exercisable at end of period	**733,000**	**9.86**	**659,000**	**8.20**

Nine months ended:	**July 31, 2014**		**July 31, 2013**	
	Number of Options	**Weighted Average Exercise Price in $**	**Number of Options**	**Weighted Average Exercise Price in $**
Outstanding at beginning of period	1,419,000	12.42	1,354,400	9.43
Granted	110,000	34.45	405,000	19.17
Exercised	(98,500)	8.31	(207,400)	7.64
Forfeited	(81,000)	12.81	(89,000)	11.67
Outstanding at end of period	**1,349,500**	**14.49**	**1,463,000**	**12.25**
Options exercisable at end of period	**733,000**	**9.86**	**659,000**	**8.20**

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 third quarter of 2014, the Company recorded a non-cash charge of $312 (Q3/2013 - $281).

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.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2014 and 2013
(Unaudited, in thousands of Canadian dollars, except as indicated)

	Options Granted FY 2014	Options Granted FY 2013
Risk-free interest rate (%)	1.34% - 1.93%	1.25% - 1.75%
Estimated volatility (%)	20%-28%	31%
Dividend yield	$0.40	$0.26-$0.32
Expected life (in years)	3.5 – 6.3	5
Weighted average fair value (in dollars)	$5.01 - $9.34	$4.26- $6.16

There were 110,000 options granted in fiscal 2014 (405,000 – 2013).

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. The estimated annual rate used for the year ended October 31, 2014 and the year ended October 31, 2013 was 21% in both years.

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

	Three months ended July 31		Nine months ended July 31	
	2014	**2013**	**2014**	**2013**
Net income attributable to owners of the parent	$ 7,215	$ 6,297	$ 19,945	$ 14,635
Weighted average number of common shares in issue	26,074	25,963	26,131	25,885
Basic earnings per share	**$ 0.28**	**$ 0.24**	**$ 0.76**	**$ 0.57**

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

	Three months ended July 31		Nine months ended July 31	
	2014	**2013**	**2014**	**2013**
Net income attributable to owners of the parent	$ 7,215	$ 6,297	$ 19,945	$ 14,635
Weighted average number of common shares issued	26,074	25,963	26,131	25,885
Adjustments for:				
Stock options	755	713	772	587
Weighted average number of common shares for diluted earnings per share	26,829	26,676	26,903	26,472
Diluted earnings per share	**$ 0.27**	**$ 0.24**	**$ 0.74**	**$ 0.55**

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2014 and 2013
(Unaudited, in thousands of Canadian dollars, except as indicated)

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

2014 Acquisitions:

Interactive Management
The Company acquired 100% of the issued and outstanding common shares of Information Access Technology, Inc. (“IAT”) and IT Sonix AG (“IT Sonix”) on November 4, 2013 and March 3, 2014 respectively for an aggregate cash purchase price of approximately $13.6 million. Of this amount, approximately $1.8 million is subject to hold back and adjustment. Results are included in the Interactive Management Group from the date of acquisition.

Headquartered in West Jordan (Salt Lake City), Utah, IAT specializes in innovative communication technology which enables companies to design, execute and measure customer communication campaigns. IAT solutions include premise and hosted products and services for both outbound dialing and broadcast messaging. Based in Leipzig, Germany, IT Sonix is a software provider specializing in outbound contact center solutions with a particular focus on tele-marketing. ELSBETH, IT Sonix’s flagship solution, is a fully featured, general purpose, outbound suite combining a powerful predictive dialer, campaign management, call scripting, real-time speech analytics and agent coaching capabilities.

Asset Management Group

The Company acquired 100% of the issued and outstanding common shares of Basset AB (“Basset”) on July 1, 2014 for an aggregate cash purchase price of approximately $9.8 million. Of this amount, approximately $2.3 million is subject to hold back and adjustment. Results are included in the Asset Management Group from the date of acquisition.

Headquartered in Stockholm, Sweden, Basset provides revenue management solutions to telecommunications operators and next generation electric utilities in Europe, Africa and the Middle East. Telecommunications service providers continue to seek new revenue streams, such as wholesale revenue from carrier-to-carrier interconnect transactions, roaming traffic or resale of excess capacity for voice and broadband data traffic. Basset has a successful track record of providing products and solutions necessary to execute a comprehensive wholesale revenue strategy.

2013 Acquisitions:

Interactive Management
The Company acquired 100% of the issued and outstanding common shares of Visionutveckling AB (“Vision”), Safeharbor Knowledge Solutions (“Safeharbor”) and Andtek GmbH (“Andtek”) on November 1, 2012, September 6, 2013 and October 7, 2013 respectively for an aggregate cash purchase price of approximately $18.8 million. Of this amount, approximately $1.1 million remains subject to hold back and adjustment. During the year, approximately $1.0 million of the hold back was reduced with the proceeds previously classified as restricted cash now accruing to the Company due to the finalization of the Vision purchase price. Results are included in the Interactive Management Group from the date of acquisition.

Vision provides attendant and contact center software solutions with offerings both on-premise and in the cloud, with operations based in Sweden, Norway and Denmark. Safeharbor delivers a SaaS based, unified knowledge base and community forum platform for small and medium size businesses as well as Fortune 500 enterprises, with operations based in Satsop (Seattle), Washington. Andtek is a unified communications specialist delivering highly scalable attendant console and contact center solutions as well

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2014 and 2013
(Unaudited, in thousands of Canadian dollars, except as indicated)

as a range of handset applications for small and large size organizations, with operations based in Hallbergmoos, Germany.

Asset Management Group
The Company acquired 100% of the issued and outstanding common shares of Albatross Scandinavia AB ("Albatross") and Locus Holdings AS ("Locus") on December 1, 2012 and March 1, 2013 respectively for an aggregate cash purchase price of approximately $13.8 million. During the year, approximately $2.7 million of the hold backs was paid, leaving no hold back for either Albatross or Locus. The results have been included in the Asset Management Group subsequent to acquisition.

Albatross, based in Sweden, provides a real-time intelligent network platform that delivers voice and SMS routing products to telecom operators. Locus supplies fleet management solutions for the Public Safety and Transport & Logistics (including Security) sectors in the Scandinavian market. Locus is headquartered in Sandefjord, Norway and also has offices in Denmark and Sweden.

Management has established the preliminary purchase price allocations taking into account all relevant information at the time of preparing these notes to the consolidated financial statements. The purchase price allocations below have not been finalized, other than Vision (Interactive Management 2013), Locus and Albatross (Asset Management 2013), subject to receipt of additional information related to the settlement of the holdback obligations.

The Company's purchase price allocations are as follows:

	Interactive Management Group Preliminary Quarter ended July 31, 2014	Asset Management Group Preliminary Quarter ended July 31, 2014	Interactive Management Group Preliminary Year ended October 31, 2013	Asset Management Group Final Year ended October 31, 2013
Cash and cash equivalents	$ 1,303	$ -	$ 2,583	$ 3,421
Short-term investments	-	-	508	-
Accounts receivable, net	5,476	3,490	2,989	4,254
Income tax receivable	-	-	196	-
Prepaid expenses and other assets	530	1,462	504	744
Property, plant and equipment	438	48	170	248
Deferred income tax assets	-	-	321	991
Acquired software	5,586	4,890	8,114	3,804
Customer relationships	3,280	4,730	4,208	6,630
Goodwill	5,073	2,890	8,898	5,294
Total assets acquired	**$ 21,686**	**$ 17,510**	**$ 28,491**	**$ 25,386**
Less: Current liabilities assumed	$ 5,881	$ 5,898	$ 6,499	$ 9,140
Less: Deferred income tax liabilities	2,178	1,798	3,169	2,408
Total liabilities assumed	**$ 8,059**	**$ 7,696**	**$ 9,668**	**$ 11,548**
Net assets acquired for cash consideration	**$ 13,627**	**$ 9,814**	**$ 18,823**	**$ 13,838**

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2014 and 2013
(Unaudited, in thousands of Canadian dollars, except as indicated)

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

The Company's operating segments each develop and market software products and provide services for their respective markets and are inclusive of the current year acquisitions. The Interactive Management Group specializes in customer interaction software and services 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 as well as fleet management and public safety software solutions for the transportation sector, first responders, distribution, security, utilities and oil and gas industries. Products include telecom billing, intelligent routing, number portability, network asset management, GIS, wholesale revenue management solutions and data conversion services.

The Company evaluates segment performance based on revenue and profit or loss before income taxes.

	Interactive Management Group	Asset Management Group	Total
Three months ended July 31, 2014			
Revenue	$ 44,597	$ 10,891	$ 55,488
Operating expenses excluding non-cash charges	(31,642)	(8,293)	(39,935)
Depreciation of property, plant and equipment	(480)	(97)	(577)
Segmented profit	**$ 12,475**	**$ 2,501**	**$ 14,976**
Corporate expenses			(1,508)
Amortization of acquired software and customer relationships			(4,273)
Finance income			119
Finance expenses			(99)
Other income			35
Income before income taxes			**$ 9,250**

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2014 and 2013
(Unaudited, in thousands of Canadian dollars, except as indicated)

	Interactive Management Group	Asset Management Group	Total
Three months ended July 31, 2013			
Revenue	$ 36,264	$ 9,983	$ 46,247
Operating expenses excluding non-cash charges	(25,648)	(7,187)	(32,835)
Depreciation of property, plant and equipment	(343)	(82)	(425)
Segmented profit	**$ 10,273**	**$ 2,714**	**$ 12,987**
Corporate expenses			(1,258)
Amortization of acquired software and customer relationships			(4,025)
Finance income			90
Finance expenses			(81)
Other income			307
Income before income taxes			**$ 8,020**

	Interactive Management Group	Asset Management Group	Total
Nine months July 31, 2014			
Revenue	$ 126,294	$ 31,637	$ 157,931
Operating expenses excluding non-cash charges	(90,748)	(23,875)	(114,623)
Depreciation of property, plant and equipment	(1,365)	(307)	(1,672)
Segmented profit	**$ 34,181**	**$ 7,455**	**$ 41,636**
Corporate expenses			(4,166)
Amortization of acquired software and customer relationships			(12,414)
Finance income			386
Finance expenses			(232)
Other income			43
Income before income taxes			**$ 25,253**
Goodwill	$ 72,586	$ 19,536	$ 92,122
Other assets	137,132	64,188	201,320
Short-term investments			19,627
Total assets	**$ 209,718**	**$ 83,724**	**$ 313,069**
Capital Expenditures	$ 1,141	$ 172	$ 1,313

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2014 and 2013
(Unaudited, in thousands of Canadian dollars, except as indicated)

	Interactive Management Group	Asset Management Group	Total
Nine months July 31, 2013			
Revenue	$ 109,243	$ 23,472	$ 132,715
Operating expenses excluding non-cash charges	(80,829)	(18,701)	(99,530)
Depreciation of property, plant and equipment	(1,103)	(200)	(1,303)
Segmented profit	**$ 27,311**	**$ 4,571**	**$ 31,882**
Corporate expenses			(3,166)
Amortization of acquired software and customer relationships			(11,485)
Finance income			517
Finance expenses			(258)
Other income			1,116
Income before income taxes			**$ 18,606**
Goodwill	$ 58,358	$ 14,912	$ 73,270
Other assets	116,444	38,626	155,070
Short-term investments			33,245
Total assets	**$ 174,802**	**$ 53,538**	**$ 261,585**
Capital Expenditures	$ 860	$ 305	$ 1,165

12. Commitments and contingencies

Southern California Gas Company v. Syntellect, Inc.: Southern California Gas Company ("SoCal") filed a lawsuit against a wholly owned subsidiary of the Company relating to the indemnification provisions in a contract between the parties. The United States District Court, Southern District of California, issued a judgment in favor of SoCal. However, the judgment was appealed to the United States Ninth Circuit Court of Appeals. That court affirmed aspects of the judgment, but reversed the finding that evidence of apportionment of damages should be excluded and directed the district court to consider the apportionment issue. Subsequently, the district court issued an order granting a motion brought by SoCal that apportionment was not appropriate and that the Company is responsible for 100% of SoCal's damages and a judgment (together with the order, the "Judgment") in favour of SoCal which, together with certain additional SoCal costs and interest, amounts to U.S. $9.45 million (the "Award"). The Company has appealed the Judgment to the United States Ninth Circuit Court of Appeals, and a standby letter of credit in the full amount of the Award has been posted, pending the outcome of the appeal. A cash deposit of CDN$11.4 million underlying the standby letter of credit to offset potential foreign exchange risk is restricted as to use and has been reflected on the condensed consolidated interim statements of financial position in cash and cash equivalents. SoCal will receive payment of all or part of the Award, plus any additional SoCal costs and interest, if it is ultimately successful in the lawsuit, at which time the expense related to such payment will be determined and recorded in the Company's financial statements.

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.

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

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. The Company does not believe that it currently has any obligation to provide such a defense or that the Company's products infringe any third party patent. However, as described above, the Company is currently subject to one action on the suggested basis of contractual indemnity. 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 July 31,		Nine months ended July 31,	
	2014	**2013**	**2014**	**2013**
Decrease in accounts receivable, net	$ 7,092	$ 3,663	$ 8,394	$ 6,838
Decrease (increase) in prepaid expenses and other assets	1,350	187	542	(685)
Decrease in accounts payable & accrued liabilities	(462)	(1,478)	(7,583)	(4,433)
Decrease in income taxes payable	(1,400)	(318)	(1,333)	(55)
(Decrease) increase in deferred revenue	(2,934)	975	4,840	891
	$ 3,646	**$ 3,029**	**$ 4,860**	**$ 2,556**

14. Subsequent events

Shortly after the third quarter ended, on August 1, 2014 the Company acquired 100% of the issued and outstanding common shares of Jinny Software Limited ("Jinny") for an aggregate cash purchase price of approximately $19.3 million. Of this amount, approximately $2.3 million is subject to hold back and adjustment. The purchase price allocations have not been established subject to receipt of additional information. The results will be included in the Asset Management Group subsequent to acquisition. Headquartered in Dublin, Ireland, with operations in the U.S., Latin America, Africa and the Middle East, Jinny is an end-to-end provider of mobile value added services, rich communications, and diameter signaling management solutions for wireless carriers globally.