LOCAL EXPERTISE, GLOBAL PRESENCE, UNIVERSE OF APPLICATIONS

2014 ANNUAL REPORT

Terry Reidel
Chairman

FELLOW SHAREHOLDERS,

It was a busy year for both your Board and Executive team. The Board has overseen the continuation of a dynamic, multi-faceted strategic plan which is centered on profitable growth while expanding the markets where we have traditionally done business. At the same time, the company acted with discipline when external events disrupted its progress. We watched closely as U.S. budget sequestration began to impact the company's facilities in California. When it became apparent that there would not be a resumption of government communication satellite projects for some time we supported the executive team in the difficult but necessary decision to close our U.S. facility. This disciplined approach taken by management minimized the impact on other parts of our business. As well, by ensuring the intellectual property transfer to Canada, the company maintains its ability to serve the U.S. government market when orders eventually resume. The executive team also successfully managed business disruption resulting from other global political upheavals.

We are pleased with the continuing evolution of exactEarth™. The delay of the M3M satellite launch was resolved by adding three in-orbit satellites to the exactEarth constellation, which improved data capture, and secured a new launch contract with M3M. This both met the immediate needs of the customer base but also prepared the company for enhanced service provision in the future. As the satellite industry is global and thus subject to the impact of government decisions and geopolitical trends, the ability to successfully navigate through these events is critical and our team performs very well.

Moving into 2015, the Board will continue to work with the executive team to capitalize on the opportunities that we make for ourselves. The company is poised for real growth which will generate shareholder value both in the medium and long term. It is shareholder value that continually is considered by your Board as we move into the future. We plan to maintain the quarterly dividend of three cents per share that we began last year.

Thank you on behalf of our entire Board for you interest in our company. Thank you to a dedicated executive team and all employees and stakeholders of COM DEV.

Terry Reidel
Chairman

Michael Pley
Chief Executive Officer

FELLOW SHAREHOLDERS,

In fiscal 2014 COM DEV International had strong results in its Products and Systems divisions, which met or exceeded all targets for the year. exactEarth, our data services subsidiary, also had exceptional results with a 33 percent increase in revenue. Subsequent to year-end, we further bolstered our performance in our United Kingdom operations with the completion of a strategic acquisition in Scotland that adds capacity and expands our product offering. There were also, however, challenges that required us to make difficult decisions in response to market conditions in the U.S.

In the Commercial segment of our business, we continued to benefit from the growing global demand for data that is driving the expansion of satellite programs. This is reflected in the almost 27 percent growth in revenue we received in our commercial satellite components business. On a consolidated basis, new orders were lower, at $201 million, than the record-setting $243 million in 2013. However, order flow grew each quarter with almost $93 million received in the fourth quarter. This was almost six percent higher than the fourth quarter of fiscal 2013 and reflects a momentum in new orders that we believe will continue in fiscal 2015.

At our facility in Aylesbury, England, government support for the space industry in the United Kingdom and Europe drove growth in 2014. We are involved in several contracts through the European Space Agency and expect the pace of work we are receiving to continue. With about 100 employees at Aylesbury, our U.K. division has grown into a key contributor to the Company but was also strained to expand much further. Late last year we saw an opportunity to increase our share in the European market and expand capacity with the acquisition of MESL Microwave in Edinburgh, Scotland. MESL is a supplier of ferrite components for radar communications, defence and space applications. With MESL we are now the leading provider of space ferrite devices and subsystems in Europe, a segment of the market that is expected to grow by over 25 percent on a compound annual rate over the next five years.

In 2014, exactEarth came into its own as a thriving business that is meeting the vision we had for it when it was founded in 2009. It added three in-orbit satellites to its constellation and expanded its ground stations from six to 13. It has also entered into a public/private partnership with the European Space Agency that designated exactEarth as the satellite AIS service provider for the European institutional market. And possibly the most significant event in 2014 for exactEarth was the contract signed with the Government of

Canada last September worth over $17 million. This will provide exactEarth services to all departments of the government, enabling a wide range of applications including but not limited to wide-area maritime surveillance and security, customs and border protection, Arctic vessel traffic monitoring, fisheries and environment monitoring as well as Search and Rescue.

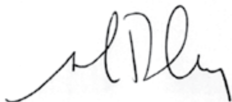
As we mentioned last year, the ongoing budget sequestration in the United States has resulted in a significant decline in our U.S. operation, as we have not seen a major U.S. government communications satellite awarded among our customers since November 2012. After an extensive review, we decided to close our operations at El Segundo, California effective March of 2015. This was a difficult decision, but was based on our view that the decline in U.S. government business will go on for several more years.
On behalf of COM DEV International, I would like to thank our employees at El Segundo for their dedication and consistent excellent work in the face of some serious market headwinds.

LOOKING AHEAD
In 2015, and for the foreseeable future, the commercial satellite market remains robust. We expect that the flow in new orders, along with our strong commercial communication satellite backlog and the growth we've seen in our U.K. business, will offset the revenue decline we are experiencing from the U.S. government communications satellite business. MESL, our recent acquisition, is expected to contribute over $10 million in revenue in 2015 as well as accelerate the growth in our U.K. business.

exactEarth will continue to grow on several fronts in 2015. The previously delayed M3M satellite, along with two further satellites, are scheduled to be launched in 2015. This will complete its planned satellite constellation which, combined with the additional ground stations, will enhance the quality of the data it captures. This data set provides tremendous opportunity to create value-added information services, such as its ShipView platform launched in 2014. Initial orders are also expected in 2015 for the small vessel tracking solutions that were created in partnership with SRT, a world leader in AIS transponders. They are targeting a global deployment of one million units by 2020.

Acquisitions will also continue to be a focus in 2015. We will look for opportunities similar to our recent acquisition of MESL which expand our current offering, enhance our geographic presence and are near-term revenue positive.

As we approach the many opportunities available to us in fiscal 2015, we will maintain the financial discipline that has guided us over the past several years. Your management team recognizes that it is important to grow, while continuing to deliver value to our shareholders. For the positive results we achieved in 2014, I thank our employees. I also thank our customers and shareholders for their ongoing support and hope to enjoy continued mutual success.



Michael Pley
Chief Executive Officer

MANAGEMENT’S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of COM DEV International Ltd's ("the Company", or "COM DEV") consolidated results of operations and financial condition. This discussion should be read in conjunction with the Company's audited Consolidated Financial Statements, including notes thereto, for the year ended October 31, 2014 (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars ("CAD"). Unless otherwise noted, the information contained herein is dated as of January 15, 2014.

CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain statements contained in this report contain forward-looking statements, including, (without limitation) statements concerning possible or assumed future results of operations of the Company preceded by, followed by or that include the words "believes", "expects", "anticipates", "estimates", "intends", "plans", "forecasts", "guidance", or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions and the Company's actual results may differ materially from those anticipated in these forward-looking statements. Additional information relating to the Company and the risks inherent in its business is provided in the Company's Annual Information Form for the year ended October 31, 2014 and other documents available on SEDAR at www.sedar.com.

This MD&A contains financial outlooks in several areas, notably: in discussing new orders, research and development ("R&D") spending levels, selling, general and administrative ("SG&A") spending, revenue growth guidance, and gross margin trending. Readers are again cautioned that these financial outlooks are included solely to provide a view of the operations through the eyes of management, based on management's current expectations in these areas, and should not be used for any other purpose. Readers are reminded that, as noted above, financial outlooks are not guarantees of future performance, and should not be considered such, since actual results may differ materially from those expressed in the financial outlooks.

USE OF NON-GAAP MEASURES

In this MD&A, we provide information about orders, contract backlog and earnings before interest, taxes, depreciation and amortization ("EBITDA"). Orders, backlog and EBITDA measures are not defined by IFRS and our measurement of them may vary from that used by others.

The Company defines Orders as the dollar value sum of fully executed contracts for the supply of the Company's products and/or services to its customers received during a defined period of time. Orders are indicative of firm future revenue streams; however, they do not provide a guarantee of future net income and provide no information about the timing of future revenue.

The Company measures backlog as the sum of all orders at contract value (including the contract value of change notices subsequently received) to date, less revenue recognized against those orders, plus or minus the impact of foreign exchange fluctuations on orders denominated in foreign currency. The Company includes in its backlog determination, only those amounts that are covered by contracts. Management monitors orders and contract backlog over the long term to evaluate whether there are any market trends that we should be acting on. The longer term view of orders and contract backlog allows management to consider trends without over-reacting to the natural quarter by quarter fluctuation in orders in the markets we serve. While we believe that long-term backlog trends serve as a useful metric for assessing the growth prospects for our business, backlog is not a guarantee of future revenues and provides no information about the timing of future revenue.

Orders and backlog do not have any equivalent financial measures and therefore cannot be reconciled to measures defined by IFRS.

The Company measures EBITDA as net income attributable to shareholders plus interest, taxes, depreciation and amortization. The Company believes that EBITDA is useful supplemental information as it provides an indication of the income generated by the Company's main business activities before taking into consideration how they are financed or taxed. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. EBITDA attributable to shareholders is reconciled to net income attributable to shareholders later in this MD&A.

OVERVIEW

COM DEV is a leading global tier two designer, manufacturer and distributor of space communications and space science products and systems. The Company began operations in 1974 and completed its initial public offering in December 1996. The Company is headquartered in Cambridge, Ontario, Canada, with additional operations in Aylesbury, England; Ottawa, Ontario, Canada; El Segundo, California; Bangalore, India; and Xian, China. The Company's common shares trade on The Toronto Stock Exchange under the symbol "CDV". COM DEV employed 1,128 people around the world as of October 31, 2014 compared to 1,233 people as of October 31, 2013.

COM DEV designs and manufactures advanced instruments and microwave products for space satellites ("Equipment segment") such as multiplexers, filters, switches, microwave components, surface acoustic wave ("SAW") devices, signal processors, satellite payloads, and micro-satellite spacecraft. The products are sold to substantially all of the major satellite prime contractors and many government space agencies for use in commercial communications, military/defence communications and space science satellites. The Company sells maritime vessel tracking information ("Data Services segment") from its own satellites through its majority owned subsidiary, exactEarth™ Ltd. ("exactEarth™). Commercial operations for exactEarth™ commenced in June 2010, and it has continued since then to expand its customer base, as well as its space and ground infrastructure. Currently, exactEarth™ receives data from eight satellites and expects to receive data from three additional satellites. ♦

OVERALL PERFORMANCE

During each of the Company's 2014 and 2013 fiscal years, twenty-three satellite programs were awarded in the global space market. The number of transponders on these satellites totalled 968 in 2014, representing a 6.7% decrease from the 1,038 transponders awarded in the global market in 2013. Transponders are a measure of a satellite's capacity and this capacity can vary significantly between satellites. Historically, a higher number of transponders on a satellite is favourable for COM DEV as this provides an indication of the demand for the Company's traditional passive microwave product lines. More recently, the introduction of commercial satellites that provide not just video or audio broadcast capacity, but also general broadband capacity for underserved areas, has reduced the correlation between the number of transponders on a satellite and the demand for the Company's equipment. These newer satellites, known as High Throughput Satellites ("HTS"), or Ka Band Satellites, have fewer transponders on them than their broadcast satellite counterparts; however, due to the size and function of these new satellites, they require more of the type of equipment that COM DEV sells on board. These satellites are primarily commercial segment satellites, and that segment of the market shows continuing strength. The government (military and defence and civil) segment has continued to see headwinds due to the impact of budget sequestrations in the United States. These headwinds are expected to continue until government spending constraints in the United States begin to ease.♦

♦ Forward-looking Information. Please refer to Caution Regarding Forward-looking Information on Page 1 of this document.

The breakdown of satellites and transponders awarded between the three market sectors (commercial, civil (government), and military and defence) can be summarized as follows:

	Years Ended October 31			
	2014		2013	
Sector	Satellites	Transponders	Satellites	Transponders
Commercial	20	856	17	818
Civil (government)	3	112	4	173
Military and defence	-	-	2	47
Total	23	968	23	1,038

Of the twenty-three satellite programs announced in 2014, COM DEV has won contracts on twenty-one satellites. COM DEV was able to secure work on eighteen of the twenty-three satellites announced in the market in 2013 and is still in the running to secure work on one additional satellite that was announced during 2013.♦

In 2014, COM DEV received orders totalling $199.5 million, compared with $243.3 million in the previous year, representing an 18.0% year over year decrease. Of the new orders won in 2014, 65% came from the commercial sector of the space market, 19% from the civil sector, and 16% from the military/defence sector. The breakdown of the 16% in new orders from the military/defence sector during 2014 is 95% from the Data Services and related segment and 5% from SatCom military orders. Of the new orders won in 2013, 68% came from the commercial sector, 26% from the civil sector and the remaining 6% from the military sector. The civil (non-SatCom) and military/defence segments continue to be plagued by uncertainty as various government organizations have been slow to award new contracts due to ongoing budget pressures. Significant management time and attention are being invested to manage this situation, however, it is expected that this environment will continue for the foreseeable future.♦

Included in the $199.5 million of new orders received in 2014 are orders received under Authorities to Proceed ("ATPs"). As delivery schedules have become more critical, customers are increasingly using ATPs as a way to start a subcontractor working, under contract, on a program while the full contract negotiations are concluded. COM DEV includes only the work for which it has contractual coverage in its reported orders and backlog. In the case of ATP awards, the Company includes only the value of the ATP, not the expected full value of the contract. Only after contract negotiations are completed, and the customer has awarded COM DEV the full contract, does the Company include the value above the ATP in its orders and backlog. At the end of 2014, the amount of potential order value in excess of ATP, which management expects to realize, stood at $33.8 million.♦ This compares to $35.3 million at the end of 2013. The expected full contract amounts are based on bid values, with a historically high percentage of ATPs being ultimately turned into full contract values.

The Company closed out 2014 with backlog totalling $155.1 million, as compared to the 2013 level of $164.7 million. Approximately 16% of the 2014 (2013: 24%) closing backlog is expected to be realized beyond the end of the Company's 2015 fiscal year.♦ Backlog represents the amount of orders for which the Company has not yet recognized revenue and therefore the expected amount of backlog to be realized beyond the upcoming fiscal year end is based on the current projections for project performance. Backlog levels fluctuate as a function of timing of contract awards and progress on projects.

Revenues for the year ended October 31, 2014 were $208.2 million compared to $215.5 million during 2013, representing a decrease of 3.4% year over year. The effects of government spending constraints, particularly in the United States, suppressed the Company's revenue growth. In contrast to the diminished near-term prospects in the US government market, the core commercial equipment market continued to show strength.

♦ Forward-looking Information. Please refer to Caution Regarding Forward-looking Information on Page 1 of this document.

As a result of the continued losses at the Company's US operations due to the effect of the ongoing spending reductions in the US government market, combined with the recent changes in International Traffic in Arms Regulations ("ITAR") US Munitions List, which moved certain satellite components to the less restrictive Commerce Control List classification, management decided to scale down the Company's US operations and initiated a restructuring plan subsequent to year end to optimize the facilities in Cambridge, Ontario. The estimated cost of the restructuring plan is expected to be $5.0 million.♦

With the effects of sequestration continuing to drive down the profitability of the Company's US operations during 2014, the Company reassessed its ability to utilize the US tax loss carryforwards that it had previously recognized as a deferred tax asset. Based on this assessment, the Company recorded a deferred income tax provision of $2.6 million relating to US deferred tax assets during 2014. During 2014, the Company also reassessed its ability to utilize loss carryfowards in the UK jurisdiction that were previously not recognized. Based on this assessment, the Company determined that there was sufficient positive evidence to support the recognition of a deferred tax asset in the UK jurisdiction which resulted in a deferred income tax recovery of $0.9 million.

At the end of each reporting period, the Company assesses whether there are events or circumstances indicating that an asset may be impaired or that a previously recognized impairment loss should be reversed. During 2013, the Company's impairment assessment determined that there was impairment in one cash generating unit ("CGU") in the Equipment segment and an impairment loss of $3.5 million was recognized. During 2014, the Company recognized an impairment reversal of $2.7 million as a result of changes in events and circumstances surrounding three of its CGUs in the Equipment segment. For additional information, refer to note 8 (Impairment of long-lived assets) in the Notes to the Consolidated Financial Statements.

Volatility in exchange rates between CAD and foreign currencies such as the US dollar ("USD"), the euro ("EUR") and the British Pound ("GBP") impact the business as a large portion of the Company's revenues are billed in non-Canadian currencies (predominately USD) and recognized in the Company's Consolidated Statements of Financial Position in the form of cash, receivables and payables. The Bank of Canada average closing USD/CAD exchange rate during 2014 was $1.0903, which compares to the 2013 average of $1.0198. The Company continually mitigates its foreign exchange risks through the use of derivatives and included in the foreign exchange gains and losses are the results of the Company's hedging program that resulted in a loss of $2.7 million in 2014 compared with a loss of $0.2 million in 2013.

The Company's Data Services segment is primarily comprised of the Company's exactEarth™ subsidiary, in which it shares ownership with HISDESAT. exactEarth™ continued to progress its business plan during 2014. The Data Services segment achieved $2.8 million in EBITDA for fiscal 2014 (2013: $1.7 million), had order bookings of $34.9 million (2013: $14.5 million) and generated revenue of $16.0 million (2013: $12.0 million). For further details, please refer to the EBITDA attributable to shareholders by segment reconciliation included later in this MD&A.

During 2013, exactEarth™ signed an interest-free loan agreement with the Federal Development Agency for Southern Ontario ("FED DEV"). Under this agreement, exactEarth™ is eligible to receive interest free repayable funding to a maximum of $2.5 million to offset capital and operating expenditures. During the year, exactEarth™ received proceeds of $0.4 million (2013: $2.1 million) from FED DEV. For additional information, refer to note 5 (Government assistance) and note 9 (Bank loans, loans payable and financial instruments) in the Notes to the Consolidated Financial Statements.

The Company's $20 million operating line of credit remains undrawn at the end of 2014 except for $2.8 million (2013: $2.8 million) in the form of guarantee letters issued by the bank on behalf of the Company to customers in the normal course of operations and to government agencies while certain tax objections are resolved. The amount outstanding on all long-term debt at the end of 2014 was $19.3 million (2013: $20.7 million), of which $4.7 million (2013: $3.6 million) was attributed to the Company's exactEarth™ subsidiary.

During a prior fiscal year, the Canada Revenue Agency ("CRA") and the Ontario Ministry of Finance completed tax audits which resulted in reassessed capital taxes and corporate minimum taxes, which the Company appealed. During the second

♦ Forward-looking Information. Please refer to Caution Regarding Forward-looking Information on Page 1 of this document.

quarter of 2013, the Company agreed to a settlement with the tax authorities. The Company received the final reassessments during the fourth quarter of 2014 which resulted in the Company recognizing a $0.5 million recovery of interest and capital tax in the Consolidated Statements of Income. For additional information refer to note 13 (Commitments and contingencies) in the Notes to the Consolidated Financial Statements.

During the first quarter of 2014, the Company adopted the amended IAS 19, Employee Benefits. As a result of this change in accounting policy, several line items in the Company's Consolidated Financial Statements issued in prior periods have been amended. The change in accounting policy was applied on a retrospective basis, in accordance with the transitional provisions, resulting in an amendment to certain consolidated financial statement balances previously reported in the November 1, 2012 and October 31, 2013 Consolidated Statements of Financial Position and the Consolidated Statements of Income, Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows for the year ended October 31, 2013. For details of the change in accounting policy and the related financial impact, see note 2 c) and note 20 in the Notes to the Consolidated Financial Statements. Any comparative amounts in this MD&A that were amended are noted.

As part of its fourth quarter meetings, the Board of Directors declared a dividend of $0.03 per share to be paid on February 6, 2015, to shareholders of record on January 23, 2015. For the year ended October 31, 2014, dividends of $0.06 per common share were declared and paid totalling $4.6 million.

For an analysis of risks faced by the Company, please refer to the section "Business Risks and Prospects", included later in this MD&A.

SELECTED ANNUAL INFORMATION* (prepared in accordance with IFRS)

(in millions of dollars except earnings and dividends per share)		2014		2013
Revenue	$	208.2	$	215.5
Net income		9.1		17.2•
Net income attributable to shareholders		10.1		18.3•
Basic and diluted earnings per share		0.13		0.24
Total assets		275.2		267.9
Total non-current liabilities		18.1		18.7
Cash dividends declared per common share		0.06		-

* For 2014 to 2013 year-to-year variation commentaries, see the additional comments included in Results of Operations sections below.

• Amended. See note 20 in the Notes to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Revenues

	Years ended October 31		
(in millions of dollars)	2014	2013	% Change
Commercial programs	$ 137.4	$ 108.6	26.5%
Civil (government) programs	$ 50.2	$ 66.8	(24.9%)
Military and defence programs	$ 20.6	$ 40.1	(48.6%)
Total revenue	$ 208.2	$ 215.5	(3.4%)

Total revenue for the Company in 2014 was $208.2 million compared to $215.5 million in 2013. The Company's mix of revenue changed as compared to 2013, with revenues in the commercial sector increasing $28.8 million while civil and military customer revenues decreased by $16.6 and $19.5 million, respectively, compared to a year earlier. The increase in commercial program revenue reflects the continued strength of the market, while decreases in the civil and military and defence sectors reflect the continued government budget constraints and sequestration in the US. The Company's Data Services segment generated 30% of the military and defence revenue for 2014 compared to 14% during 2013, which reflects a shift in the mix of revenue in the military and defence sector from the Equipment segment to the Data Services segment. As the Company looks to scale back its US operation during 2015, management expects this shift in the mix of revenue from the military and defence sector to increase.[♦]

Backlog

	Years ended October 31		
(in millions of dollars)	2014	2013	% Change
Commercial programs	$ 88.6	$ 95.0	(6.7%)
Civil (government) programs	$ 40.6	$ 54.4	(25.4%)
Military and defence programs	$ 25.9	$ 15.3	69.3%
Total backlog	$ 155.1	$ 164.7	(5.8%)

The Company's overall backlog of work at the end of 2014 decreased by 5.8% compared to the ending 2013 backlog. Backlog is a measure of the Company's orders for which revenue has not been recognized and consequently, backlog levels are heavily influenced by the timing of orders and program performance. The decrease in the commercial program backlog of $6.4 million is primarily attributed to the timing of orders and program performance relative to the same point in time in the prior year. The decrease of $13.8 million in the civil program backlog is primarily related to the Equipment segment, which decreased $13.1 million, while the Data Services segment civil backlog decreased by $0.7 million. The increase of $10.6 million in the military and defence backlog is driven by the Data Services segment, which increased by $15.9 million, offset by a decrease in the Equipment segment backlog of $5.3 million. Backlog does not have an equivalent financial measure and therefore cannot be reconciled to measures defined by IFRS.

[♦] Forward-looking Information. Please refer to Caution Regarding Forward-looking Information on Page 1 of this document.

Net income attributable to shareholders

Net income (loss) by segment for the years ended October 31:

(in millions of dollars except earnings per share)	Equipment segment	Data services segment	Intra-segment eliminations	Total	Earnings per share basic and diluted
2014 net income (loss) attributable to shareholders	$ 12.1	$ (2.6)	$ 0.6	$ 10.1	$ 0.13
2013 net income (loss) attributable to shareholders	$ 20.7[•]	$ (2.9)	$ 0.5	$ 18.3[•]	$ 0.24

The net income attributable to shareholders reflects the Company's consolidated net income adjusted by the 27% minority interest's portion of the net loss for exactEarth™ in the Data Services segment.

Net income attributable to shareholders was $10.1 million in 2014, compared to $18.3[•] million in 2013. The decrease in net income is primarily attributed to operating losses in the Company's US operation, which included negative gross margin of $5.3 million (2013: $2.8 million positive gross margin) from a combination of insufficient work to absorb overhead costs, inventory and related charges and a $2.6 million write down of previously recognized US tax losses, as a result of the ongoing spending reductions in the US government market.

Additional contributing factors to the decrease in net income from 2013 include the following:

- Research and development recoveries relating to external funding and investment tax credits recoverable were reduced by $1.2 million and $6.6 million, respectively, compared to the prior year, a combined decrease of $7.8 million year over year
- The Company recognized a foreign exchange loss of $0.9 million during 2014, compared to a foreign exchange gain of $0.9 million during 2013, contributing to a $1.8 million decrease year over year

Offsetting the decrease in net income was the increase in margins realized in the Company's non-US operations due to the effective execution of contracts. In addition, the impairment reversal recognized during 2014 on certain of the Company's property, plant and equipment (PP&E) and intangible assets compared to an impairment loss recognized during 2013, contributed to an improvement to net income of $6.2 million year over year.

[•] Amended. See note 20 in the Notes to the Consolidated Financial Statements.

Gross margin

(in millions of dollars)	Year ended October 31 2014	2013	% Change
Gross margin	$ 53.8	$ 58.0•	(7.2%)
Total gross margin %	25.8%	26.9%•	

Gross margin for 2014 averaged 25.8% compared to 26.9%• in 2013. The Equipment segment gross margin percentage in 2014 decreased from 26% to 25% primarily as a result of the negative gross margin of $5.3 million realized in the Company's US operation due to ongoing sequestration. This compares to $2.8 million in positive gross margin achieved by the US operation during fiscal 2013.

The Company achieved a year over year increase in gross margin in its non-US operations due to effective execution of contracts and a more favourable mix of contracts in progress compared to the prior year.

The Data Services segment gross margin percentage increased during 2014 due to higher revenue from its growing customer base after the successful commissioning of two exactEarth™ satellites, offsetting the increased operational costs of the expanded constellation of low earth orbiting satellites owned and operated by exactEarth™.

Other expenses

(in millions of dollars)	Year ended October 31 2014	2013	$ Change	% Change
Selling expenses	$ 12.0	$ 11.9	$ 0.1	0.8%
General expenses	$ 20.4	$ 20.2	$ 0.2	1.0%
Net research and development expenses (income)	$ 3.2	$ (3.9)	$ 7.1	N/A
Impairment (reversal) loss	$ (2.7)	$ 3.5	$ (6.2)	N/A
Restructuring	$ 1.5	$ 0.7	$ 0.8	114.3%
Interest expense	$ 0.2	$ 0.5	$ (0.3)	(60.0%)
Foreign exchange loss (gain)	$ 0.9	$ (0.9)	$ 1.8	N/A
Other expense (income)	$ 0.5	$ (0.1)	$ 0.6	N/A

• Amended. See note 20 in the Notes to the Consolidated Financial Statements.

Selling and general expenses

Selling and general expenses increased in 2014 compared to 2013. Selling expenses will fluctuate from quarter to quarter and year to year depending on the volume of bids and proposal work that is underway. General expenses increased by $0.2 million during 2014 and include a $0.7 million increase in corporate development expenses, reflecting the Company's investment as it executes on its strategic plan, offset by the Company's effective management of general expenses with a view to minimizing these costs while not hindering the achievement of the Company's overall business objectives.

Research and development (R&D)

	Year ended October 31		
(in millions of dollars)	2014	2013	% Change
Research and development costs	$ 9.2	$ 9.9	(7.1%)
Research and development recovery	$ (0.9)	$ (2.1)	(57.1%)
Investment tax credits recoverable	$ (5.1)	$ (11.7)	(56.4%)
Net research and development expense (recovery)	$ 3.2	$ (3.9)	(182.1%)

R&D costs noted in the table above reflect only Company-funded R&D (net of any external funding received). Customer-funded development costs are included in the Company's cost of revenue figures.

During the year, the Company recognized a $5.1 million Investment Tax Credit ("ITC") relating to R&D activities compared to $11.7 million in 2013. The ITC recognized represents the benefit of tax savings gained from R&D expenditures made in prior periods.

With the inclusion of this ITC and with the normal external funding sources, there was $3.2 million net expense for research and development compared to a $3.9 million net recovery in 2013.

Impairment reversal / loss

The Company is required to evaluate its CGUs annually under IFRS for signs of potential impairment in the carrying value of the CGU's assets. At October 31, 2013, the Company's US CGU, CDU, which is part of the Equipment segment, was assessed as a separate CGU and an impairment loss of $3.5 million was recognized as a result of a decrease in profitability stemming from sequestration. In 2014, the US Government removed certain satellite hardware and related technologies from the restrictive ITAR US Munitions List and moved these items to the less restrictive Commerce Control List. In light of this change, the Company reassessed its determination of CGUs and concluded that the cash inflows associated with the group of assets in CDU were not largely independent of the cash inflows from the group of assets in the Company's passive microwave hardware CGU, which is part of the Equipment segment. The combined CGU had sufficient forecasted cash flows to support the reversal of previously recognized impairment loss and accordingly, the Company recognized an impairment reversal of $0.9 million at October 31, 2014.

The value in use of the Company's UK and CDIS-Canada CGUs, which are part of the Equipment segment, were previously depressed due to the lack of profitability that existed at the time that the original impairment loss was recognized. These CGUs have experienced positive income over the past several quarters and there has been a change in the estimated future cash flows for these CGUs based on their return to profitability and future orders forecasts. As a result, the Company recognized an impairment reversal of $0.8 million for the UK CGU and $1.0 million for the CDIS-Canada CGU at October 31, 2014.

The reversal of impairment loss is included in Impairment (reversal) loss line in the Consolidated Statements of Income. See note 8 (Impairment of long-lived assets) in the Notes to the Consolidated Financial Statements.

Restructuring

The Company incurred $1.5 million in restructuring charges during 2014 compared to $0.7 million during 2013. Restructuring charges primarily related to headcount reductions in the Equipment segment.

Interest expense

Interest charges primarily relate to the Company's outstanding term debt facilities. Interest income relates to the settlement of tax disputes and other financing income.

The Company incurred interest expense of $0.8 million during 2014 (2013: $0.7 million), offset by interest income of $0.6 million (2013 - $0.2 million), for a net interest expense in 2014 of $0.2 million (2013: $0.5 million). The decrease is primarily attributed to interest income of $0.3 million related to the CRA and Ontario Ministry of Finance tax audits that were completed during 2014. For additional information refer to note 13 (Commitments and contingencies) in the Notes to the Consolidated Financial Statements.

Foreign exchange

The foreign exchange loss in 2014 was $0.9 million, compared with a gain of $0.9 million in 2013. Foreign exchange amounts in the Consolidated Statements of Income include realized and unrealized gains and losses that result from translation of foreign denominated balances in the Company's Consolidated Statements of Financial Position, realized gains and losses from settling USD forward contracts, and mark to market fair value adjustments on the Company's outstanding USD forward contracts. They do not include the impact of foreign exchange fluctuations on customer program values, which is reflected in the revenue, cost of revenue, and gross margin sections of the Consolidated Statements of Income. The impact of translation of outstanding foreign denominated balances in the Consolidated Statements of Financial Position and of settling foreign denominated balances into cash during the year was a gain of $1.8 million in 2014, compared to a gain of $1.1 million in 2013.

The Company attempts to mitigate the impact of sudden changes in foreign currency rates by entering into foreign exchange future contracts. The Company reflects the change in the fair value ('mark to market') of the unexpired contracts as part of its foreign exchange loss or gain in the period. At October 31, 2014, there was a $1.9 million loss in the mark to market valuations on the USD derivative contracts, compared to an unrealized exchange loss of $0.9 million at October 31, 2013. The realized exchange impact from settling USD hedge contracts was loss of $0.8 million in 2014, compared to a gain in 2013 of $0.7 million.

Other expense

Other expense of $0.5 million in 2014 (2013: $0.1 million gain) is comprised of gains (losses) on disposal of assets, withholding tax recovery (recognized during 2013), Fed Dev operating grant income, the discounting adjustment for investment tax credits, and bank fees, discounts, Export Development Canada (EDC) premiums and other miscellaneous expenses. See note 14 (Other expense (income)) in the Notes to the Consolidated Financial Statements.

EBITDA

EBITDA attributable to shareholders by segment for the year ended October 31, 2014:

	Equipment segment		Data services segment		Intra-segment eliminations		Total
Net income (loss) attributable to shareholders	$	12.1	$	(2.6)	$	0.6	$ 10.1
Interest expense (income)		(0.6)		0.7		0.1	0.2
Income tax expense		8.7		-		-	8.7
Depreciation & amortization		7.2		4.7		(0.6)	11.3
EBITDA attributable to shareholders	$	27.4	$	2.8	$	0.1	$ 30.3

EBITDA attributable to shareholders by segment for the year ended October 31, 2013•:

	Equipment segment		Data services segment		Intra-segment eliminations		Total
Net income (loss) attributable to shareholders	$	20.7	$	(2.9)	$	0.5	$ 18.3
Interest expense		0.1		0.4		-	0.5
Income tax expense		8.9		-		-	8.9
Depreciation & amortization		7.1		4.2		(0.6)	10.7
EBITDA attributable to shareholders	$	36.8	$	1.7	$	(0.1)	$ 38.4

EBITDA attributable to shareholders was $30.3 million in 2014, compared to $38.4• million in 2013. The year over year decrease in EBITDA is primarily related to the lower net income during 2014 as compared to 2013. The Equipment segment experienced a decrease in EBITDA attributable to shareholders over the prior year related primarily to losses in the US operations. The Data Services segment EBITDA increased to $2.8 million in 2014 as compared to a 2013 EBITDA of $1.7 million.

Financial position

The following chart outlines the significant changes in the Consolidated Statements of Financial Position between October 31, 2014 and October 31, 2013:

(in millions of dollars)	Increase/ (Decrease)	Explanation
Cash and cash equivalents	$ (1.3)	Refer to the Consolidated Statements of Cash Flows.
Accounts receivable	$ (1.8)	Collections exceeded billings in 2014 net of allowances for doubtful accounts.
Inventory	$ 2.6	Contracts-in-progress increased by $3.2 million and general inventory decreased by $0.6 million. To get a complete view of the actual change in contracts-in-progress, the change in "Billings in excess of costs and earnings on contracts in progress" (further below in this table) must be considered in conjunction with this section of the table. The contracts-in-

• Amended. See note 20 in the Notes to the Consolidated Financial Statements.

(in millions of dollars)	Increase/ (Decrease)	Explanation
		progress balance will vary from year to year depending on the billing and revenue profiles of programs in progress. Refer to note 4 (Construction contracts and inventory) in the Notes to the Consolidated Financial Statements.
Prepaid expenses and other	$ 1.0	Miscellaneous prepaid expenses, primarily related to insurance, accrued at a rate slower than the related expense was recognized.
Property, plant and equipment	$ 5.2	PP&E increased as a result of capital expenditures of $10.5 million, impairment reversal of $1.9 million, $1.5 million relating to foreign exchange and $0.1 million relating to disposals and other, and was reduced by $8.8 million of depreciation.
Intangible assets	$ 5.7	Intangible assets increased as a result of capital expenditures of $7.3 million, an impairment reversal of $0.8 million and $0.2 million relating to foreign exchange, and were reduced by $2.5 million of amortization and $0.1 million relating to disposals and other.
Investment tax credits (current and non-current)	$ 2.9	Increase in recognized investment tax credits from scientific research and experimental development activities.
Deferred income tax assets	$ (5.5)	Decrease comprised of a reduction in deferred tax asset related to US tax loss carry forwards ($2.6 million) and changes in temporary differences ($4.5 million), offset by recognition of a deferred tax asset related to UK loss carry forwards ($0.9 million), the settlement of RSU and PSU awards ($0.5 million) and foreign exchange ($0.2 million). Refer to note 12 (Income taxes) in the Notes to the Consolidated Financial Statements.
Current accounts payable and accrued liabilities	$ 5.2	Increase in trade payables and accrued expense accounts outstanding at the end of 2014, primarily attributed to timing.
Income taxes payable	$ 0.3	Increase in income taxes payable from prior year end.
Provisions	$ (0.8)	Net usage of $1.0 million and additions of $0.1 million pertaining to loss contracts plus $0.1 million foreign exchange impact on these contracts.
Billings in excess of costs and earnings on contracts in progress	$ (4.3)	Billings in excess of costs and earnings on contracts in progress reflects the amount of billings that occur in advance of the Company recognizing revenue. The decrease reflects this timing difference on the composition of projects where revenue outpaced billings as compared to prior year end. Also see Inventory, above in this table, and note 4 (Construction contracts and inventory) in the Notes to the Consolidated Financial Statements.
Non-current accounts payable and accrued liabilities	$ 0.2	Increase in non-current liabilities during 2014 primarily related to the exactEarth™ incentive plan.
Employee future benefits	$ 2.4	Increase is comprised of pension expense of $0.8 million, actuarial losses of $2.1 million and foreign currency translation of $0.3 million, offset by the Company's contribution to the defined benefit plans of $0.8 million.

(in millions of dollars)	Increase/ (Decrease)	Explanation
Loans payable (current and non-current)	$ (1.4)	Decrease in loans outstanding is primarily due to loan payments.
Share capital	$ (169.5)	$170 million of the decrease relates to a reduction in stated capital to enable dividend payments, which resulted in a corresponding increase in contributed surplus. See note 11 (Share capital and earnings per share) in the Notes to the Consolidated Financial Statements and the Consolidated Statements of Changes in Equity.
Treasury stock	$ (0.1)	The change is attributed to the difference between the value of treasury stock issued during 2014 in settlement of the Company's long-term incentive plan ("LTIP") obligations compared to the common shares purchased during 2014 to be held as treasury stock to be used to settle the Company's LTIP obligations.
Contributed surplus	$ 170.1	The $170.1 million decrease primarily relates to the reduction in stated capital described above. Refer to Consolidated Statements of Changes in Equity for further details.
Deficit	$ (5.5)	Net income attributable to shareholders of $10.1 million offset by dividend payments of $4.6 million.
Non-controlling interest	$ (1.0)	Decrease attributed to the portion of exactEarth™'s net comprehensive loss attributable to the non-controlling interest for the year ended October 31, 2014.
Accumulated other comprehensive income (loss)	$ 0.4	Increase attributed to the portion of other comprehensive income attributed to shareholders for the year ended October 31, 2014.

Liquidity and capital resources

	Year October 31		
(in millions of dollars)	2014	2013	% Change
Cash from operating activities	$ 24.3	$ 31.8	(23.6%)
Cash used in financing activities	(8.6)	(1.9)	352.6%
Cash used in investing activities	(17.6)	(19.8)	(11.1%)
Effect of exchange rate changes on cash and cash equivalents	0.6	(1.0)	N/A
Net (decrease) increase in cash and cash equivalents	(1.3)	9.1	N/A
Cash and cash equivalents, beginning of year	34.9	25.8	35.3%
Cash and cash equivalents, end of year	$ 33.6	$ 34.9	(3.7%)

Operating activities

The Company generated $24.3 million of cash from operating activities in 2014, compared with 2013 when $31.8 million was generated. The Company generated $0.5 million from changes in working capital in 2014 which compares to the $3.5 million generated from changes in working capital in 2013. The change in non-cash working capital balances in 2014 was mainly due to changes associated with decreases in accounts receivable and income taxes recoverable and increases in accounts

payable and accrued liabilities, partially offset by increases in inventory and prepaid expenses and decreases in provisions and billings in excess of costs and earnings on contracts in progress.

Financing activities

The Company used $8.6 million of cash for financing activities in 2014, compared with $1.9 million used in 2013. The use of cash in 2014 is primarily attributed to $4.6 million in dividends paid (2013: nil) and $3.8 million in repayments of long-term debt (2013: $3.2 million), partially offset by proceeds from common share issuances and advances of long-term debt.

Investing activities

The Company used $17.6 million of cash for investing activities in 2014, compared with $19.8 million used in 2013. The use of cash in 2014 is primarily attributed to acquisitions of PP&E totalling $10.5 million (2013: $14.1 million) and intangible assets totalling $7.3 million (2013: $5.8 million), partially offset by $0.2 million (2013: $0.1 million) in proceeds received on the disposal of assets.

Credit facilities

The Company's operating credit line of $20 million was not drawn upon at the end of 2014, except for $2.8 million (2013: $2.8 million) in the form of guarantee letters issued to customers and government agencies. In addition to the operating line of credit, the Company also has a treasury risk management facility to facilitate hedging of currency related risks arising in the normal course of operations, a committed term debt facility, and an additional uncommitted term debt facility. Under these facilities, the Company is required to maintain certain financial ratios, which the Company has met as of October 31, 2014. For additional information refer to note 9 (Bank loans, loans payable and financial instruments) in the Notes to the Consolidated Financial Statements.

Management believes that it has sufficient resources to allow it to meet its business plan objectives, including normal commitments for capital expenditures.♦

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements, other than operating leases as disclosed in note 13 (Commitments and contingencies) in the Notes to the Consolidated Financial Statements, as at the end of the 2014 fiscal year.

Transactions with related parties

During 2012, Hisdesat, the minority interest investor in exactEarth™, made available a revolving credit facility to exactEarth™ which is described in note 9 b) iv) in the Notes to the Consolidated Financial Statements. During 2014, exactEarth™ made interest payments on this loan totalling $0.2 million (2013: $0.1 million).

Proposed transactions

The Company has no firm proposed transactions as at October 31, 2014. See subsequent events discussion later on in this MD&A.

Fourth quarter

The Company booked $91.1 million in new orders in the fourth quarter of fiscal 2014, compared with approximately $87.9 million in the fourth quarter of 2013 and $36.5 million of the third quarter of 2014. The size and timing of contract awards in the space market has historically resulted in uneven new order levels on a quarter-by-quarter basis.

♦ Forward-looking Information. Please refer to Caution Regarding Forward-looking Information on Page 1 of this document.

Revenues for the fourth quarter were $51.2 million, compared with $50.8 million in the third quarter of 2014, and $53.8 million in the fourth quarter of fiscal 2013. Gross margin was 22.0% in the fourth quarter, down from 26.1% in the prior quarter, and down from 28.3%[•] in the fourth quarter of fiscal 2013. The decrease in fourth quarter gross margin is primarily attributed to the impact of reduced gross margin in the US business, which realized a negative gross margin of $4.2 million during the fourth quarter of 2014, compared to a negative gross margin of $0.8 million during the third quarter of 2014 and a negative margin of $1.1 million during the fourth quarter of 2013.

During the fourth quarter, the Company generated $7.9 million in cash from operating activities, compared to the prior quarter where the Company invested $1.0 million in cash from operating activities. In the fourth quarter of 2013, the Company generated $12.6 million in cash from operating activities.

The Company invested $6.8 million in PP&E and intangible asset additions during the fourth quarter of 2014. The Company invested $9.6 million in PP&E and intangible assets during the fourth quarter of fiscal 2013 and $3.7 million in PP&E and intangible assets in the third quarter of 2014. The Company ended the quarter with $33.6 million in cash, compared with $36.4 million at the end of the prior quarter, and $34.9 million at the end of the fourth quarter of fiscal 2013.

Financial instruments and other instruments

The Company realizes a significant portion of its revenues in USD and incurs most of its expenses in CAD. The Company utilizes foreign exchange options to hedge the net cash flow risk associated with forecasted transactions in foreign currencies but does not enter into derivatives for speculative purposes. The Company utilizes derivative instruments to manage the risk associated with anticipated cash flows that will be denominated in foreign currencies. The Company does not designate or measure the effectiveness of the derivative instruments as hedges of specific firm commitments or forecasted transactions and, accordingly, does not meet the requirements of IFRS IAS 39, *Financial instruments: recognition and measurement*, to apply hedge accounting. The Company generally uses foreign exchange put options and related call options to manage foreign currency risk related to sales to customers in the United States and United Kingdom.

Derivative financial instruments are carried at their fair values. Realized and unrealized gains and losses associated with the derivative instruments are included in “Foreign exchange loss (gain)” in the Consolidated Statements of Income. In 2014, the unrealized loss from the change in fair value of the Company’s hedge options was $1.9 million compared to an unrealized loss of $0.9 million in 2013. The impact from settling USD hedge contracts in 2014 was a $0.8 million loss, compared to a $0.7 million gain in 2013. Additional information relating to the Company’s hedge contracts can be found in note 9 (Bank loans, loans payable and financial instruments) in the Notes to the Consolidated Financial Statements.

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations to the Company. The Company minimizes this risk by limiting counterparties to these contracts to Canadian Schedule A Chartered Banks.

Subsequent events

On December 31, 2014, the Company acquired 100 percent of the outstanding shares of MESL Holdings Ltd. and MESL Microwave Ltd. (collectively “MESL”). MESL is based in Edinburgh, Scotland, and specializes in the global microwave technology market, including the design and manufacture of high-reliability components and subsystems for the radar, communications, defence and aerospace industries. The primary reason for the acquisition is to provide the Company with greater access to the aerospace market with microwave component products that are complementary to the Company’s product offering in the space market.

[•] Amended. See note 20 in the Notes to the Consolidated Financial Statements.

The estimated purchase price for MESL is £12.8 million ($23.0 million CAD) and is subject to final working capital adjustments. This purchase will be financed by a combination of cash on hand and additional borrowings under the Company's credit facility.

Summary of quarterly financial information (unaudited)

(in thousands of dollars, except earnings per share figures)

Fiscal 2014 Quarters	January 31	April 30	July 31	October 31
Total revenue	$ 51,821	$ 54,332	$ 50,814	$ 51,234
Net income attributable to shareholders	2,092	5,011	3,547	(600)
Net income per share (basic and diluted)	0.03	0.07	0.05	(0.02)

Fiscal 2013 Quarters	January 31	April 30	July 31	October 31
Total revenue	$ 52,283	$ 55,229	$ 54,157	$ 53,780
Net income attributable to shareholders	4,513•	4,700•	5,015•	4,022•
Net income per share (basic and diluted)	0.06	0.06	0.07	0.05

Historically, the Company's revenue is lowest in the first quarter. This is due to the fact that the first quarter has the lowest number of working days as the operations shut down over the Thanksgiving (US) and Christmas period for maintenance and vacation. Since the Company reports revenue on a percentage of completion basis, the lower number of workdays typically translates to less revenue.

Critical accounting estimates

The preparation of the Company's Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates are based upon management's historical experience and various other assumptions that are believed by management to be reasonable under the circumstances. Such assumptions and estimates are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources as well as the periodic recognition of revenue and cost of revenue. Actual results could differ from these estimates.

Management believes the following critical accounting policies affect its more significant estimates and assumptions used in the preparation of its Consolidated Financial Statements.

Revenue recognition

The Company generally provides goods and services to its customers under long-term contracts. The Company recognizes revenue on long-term contracts on the percentage of completion basis, based on costs incurred relative to the estimated total contract costs. Losses on such contracts are accrued in provisions when the estimate of total costs indicates that a loss will be realized. Provisions are drawn down as loss contracts progress. Contract billings received in excess of recognized revenue are included in current liabilities.

A portion of the Company's revenue is derived from the sale of goods and services on short-term agreements and purchase orders including "cost-plus" government contracts. The revenue from short-term agreements and purchase orders are recognized when the goods and services are delivered to the customer and collection is reasonably assured. Cost-plus contract revenue is recognized as eligible costs are incurred on the applicable contracts.

• Amended. See note 20 in the Notes to the Consolidated Financial Statements.

Project costs to complete

At the outset of each customer project, an estimate of the total expected cost to complete the scope of work under contract is made. During the course of the projects, these estimates are reviewed and revised to reflect current expectations of cost to complete, and total cost. These estimates are based on specific knowledge of the status of the project, as well as historical understanding of costs on similar projects. Cost elements include material, direct labour, and overhead costs, with labour and overhead costs being determined using pre-established costing rates applied to estimated labour hours required to complete the scope of work under contract. These estimates are reviewed on a monthly and quarterly basis to ensure the estimates reflect the current expectations for total costs, however this is not a guarantee that unforeseen or additional costs won't be incurred, which would have an impact on project total cost, reported revenue, and gross margins. Management believes it has effective control procedures in place to ensure the validity of these estimates at the time they are made.

Contract penalties

In some cases, the Company enters into contracts with its customers for the delivery of equipment, where penalties are incurred for late delivery. When the Company wins these orders, it assumes that the cost of the penalties will not be incurred unless the project schedule indicates that contracted delivery dates will not be met. The contract values are reduced by the expected penalties at the time the Company determines that the contractual delivery date will not be met.

Useful life of intangible and long-term assets

The Company has established policies for determining the useful life of its intangible and long-term assets, and amortizes the costs of these assets over those useful lives. The useful life for each category of asset is determined based on the expectation of its ability to continue to generate revenues, and thus, cash flows for the Company. This ability is tested periodically to ensure the conditions still exist to allow the asset to be reflected at its net-recorded value in the accounts of the Company, and any impairment to the valuation is reflected in the accounts at the time the impairment is determined.

Income tax liabilities

The Company establishes a tax provision based on its calculation of accounting income subject to tax in any period. Occasionally, the Company is subjected to audits by various federal and provincial agencies. When adjustments are proposed, the Company assesses its position with respect to the issue, and when it considers the Company's position to be correct, may object to proposed adjustments. Management estimates the likelihood of succeeding in its position, and where appropriate, provides for amounts estimated to be payable, or reports in notes to the Company's Consolidated Financial Statements. For a complete description of carry-forward tax balances and the deferred tax asset, see note 12 in the 2014 Notes to the Consolidated Financial Statements. For a complete description regarding the current status of ongoing income tax audits, see note 13 in the 2014 Notes to the Consolidated Financial Statements.

Deferred taxes

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire. In determining the amount of deferred tax assets to recognize by jurisdiction, the Company considers various factors including, but not limited to, current estimates of taxable income over future periods, history of losses for tax purposes, tax planning opportunities and the expiry date of income tax loss carryforwards.

Investment tax credits

ITCs are accounted for using the cost reduction method whereby the credits are applied to reduce the related qualifying expenditure. ITCs have been recognized in the accounts on the basis of reasonable assurance of realization. The amounts recorded have been determined by the Company based on current legislation and management's best estimates of future taxable income.

Recoverable amount for long-lived assets

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual asset or at the CGU level if individual assets do not have largely independent cash inflows. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Capitalization of development costs

When capitalizing development costs, the Company must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets, and therefore, the estimates and assumptions associated with these calculations are instrumental in: (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Company.

Employee benefits

The Company considers a number of factors in developing the pension assumptions, including an evaluation of relevant discount rates, plan asset allocations, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, economic benefits available and input from actuaries and other consultants. Costs of the programs are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

Financial instruments

The valuation of the Company's derivative instruments and certain other financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value is estimated are provided in note 9(c) (Bank loans, loans payable and financial instruments) in the Notes to the 2014 Consolidated Financial Statements.

Inventory provision

To estimate recoverable value of inventory, the Company takes into account age of items, time since last activity and future expected usage.

Changes in accounting policies including initial adoption

Change in accounting policies

International Accounting Standard 19R, Employee Benefits

During the first quarter of fiscal 2014, the Company adopted the amended International Accounting Standard 19, Employee Benefits ("IAS 19R"). IAS 19R eliminates the option to defer the recognition of gains and losses, known as the 'corridor method'. This means all changes in value of defined benefit plans will be recognized as they occur. Profit or loss will be charged with service costs and net interest income or expense, while re-measurements will be presented in other comprehensive income. The amendment also enhances the disclosure requirements for defined benefit plans. For details of the policy change see notes 2 c) and 20 in the Notes to the Consolidated Financial Statements.

International Financial Reporting Standard 7, Financial Instruments: Disclosures

International Financial Reporting Standard 7, Financial Instruments: Disclosures ("IFRS 7"), was amended in 2011 and requires entities to disclose information about the effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of this amendment did not result in any changes to the Consolidated Financial Statements.

International Financial Reporting Standard 10, Consolidated Financial Statements

International Financial Reporting Standard 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 supersedes IAS 27, Consolidated and Separate Financial Statements, and Standing Interpretations Committee Interpretation 12, Consolidation – Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the Consolidated Financial Statements.

International Financial Reporting Standard 11, Joint Arrangements

International Financial Reporting Standard 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 current International Accounting Standard 31, Interests in Joint Ventures, and Standing Interpretations Committee Interpretation 13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the Consolidated Financial Statements.

International Financial Reporting Standard 12, Disclosure of Interests in Other Entities

International Financial Reporting Standard 12, Disclosure of Interests in Other Entities (“IFRS 12”), 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 disclosure requirements and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the Consolidated Financial Statements.

International Financial Reporting Standard 13, Fair Value Measurements

International Financial Reporting Standard 13, Fair Value Measurements (“IFRS 13”), is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. 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. IFRS 13 is to be applied prospectively for annual periods beginning on or after January 1, 2013. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognized or disclosed. The application of IFRS 13 resulted in additional disclosures in the Notes to the Consolidated Financial Statements.

International Accounting Standard 28, Investments in Associates and Joint Ventures

International Accounting Standard 28, Investments in Associates and Joint Ventures (“IAS 28”), was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. The adoption of this amendment did not result in any changes to the Consolidated Financial Statements.

International Accounting Standard 36, Impairment of Assets

International Accounting Standard 36, Impairment of Assets ("IAS 36"), was amended in 2013 to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs to sell. Specifically, for any material impairment losses recognized or reversed during the reporting period, this amendment requires an entity to disclose the recoverable amount of the CGU and when the recoverable amount has been based on fair value less costs to sell, the entity must disclose the level of the IFRS 13 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined. For all measurements at Level 2 or Level 3 of the fair value hierarchy, the entity must disclose the valuation technique used as well as any changes in that valuation technique and key assumptions used in the measurement of fair value including the discount rates used if a present value technique is applied. The amendments are effective for annual periods beginning on or after January 1, 2014. The Company has early adopted the amendments to IAS 36. The early adoption of these amendments did not result in any significant changes to the Consolidated Financial Statements.

Future changes in accounting policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended October 31, 2014, and have not been applied in preparing the Consolidated Financial Statements. The following standards and interpretations have been issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

International Financial Reporting Standard 9 Financial Instruments: Classification and Measurement

International Financial Reporting Standard 9 Financial Instruments: Classification and Measurement ("IFRS 9") as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. On November 19, 2013, the IASB published IFRS 9, Hedge Accounting, which is a part of the third phase of its replacement of IAS 39. The new requirements allow entities to better reflect their risk management activities in the financial statements. As part of the amendments, entities may change the accounting for liabilities that they have elected to measure at fair value before applying any of the requirements in IFRS 9. This change in accounting would mean that gains caused by a worsening in an entity's own credit risk on such liabilities would no longer be recognized in profit or loss. Because the second phase of the IFRS 9 project related to impairment is not yet completed, the IASB decided that a mandatory effective date of January 1, 2015 would not allow sufficient time for entities to prepare to apply IFRS 9. Accordingly, the IASB determined to apply a later mandatory effective date, which will be determined when IFRS 9 is closer to completion. However, entities may still choose to apply IFRS 9 immediately. IFRS 9 must be applied retrospectively; however, hedge accounting is to be applied prospectively (with some exceptions). The amendment becomes effective for COM DEV on November 1, 2018. The adoption of the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Company does not anticipate any material impact from the adoption of this standard on the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income or the Consolidated Statements of Financial Position of the Company.

International Accounting Standard 32 Financial Instruments: Presentation

In December 2011, International Accounting Standard 32 Financial Instruments: Presentation ("IAS 32") was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future event. The Company does not anticipate any material impact from the adoption of this standard on the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income or the Consolidated Statements of Financial Position of the Company. The amendment becomes effective for COM DEV on November 1, 2014.

IFRS Interpretations Committee (“IFRIC”) 21 Levies

In May 2013, the IFRIC, with the approval by the IASB, issued IFRIC 21 – Levies. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The Company does not anticipate any material impact from the adoption of this standard on the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income or the Consolidated Statements of Financial Position of the Company.

International Financial Reporting Standard 15 Revenue from Contracts with Customers

In May 2014, the IASB issued International Accounting Standard 15 Revenue from Contracts with Customers (“IFRS 15”), which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the impact of adopting this new standard.

Business risks and prospects

New products and technological change

The market for the Company's products is characterized by rapidly changing technology involving industry standards and frequent new product introductions. The Company's success will depend upon: (i) market acceptance of its existing products; and (ii) its ability to enhance its existing products and to introduce new products and features to meet changing customer requirements. A current example of this is the Company’s efforts to exploit its Automatic Identification System (AIS) detection and de-collision capabilities by entering the AIS data sales market through its 73% owned subsidiary company, exactEarth™ Ltd. There can be no assurance that the Company will be successful in identifying, developing, manufacturing and marketing new products or enhancing its existing products. The Company's business will be adversely affected if the Company incurs delays in developing new products or enhancements or if such products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render the Company's products or technologies non-competitive or obsolete.

Changing business conditions

The Company's future operating results will substantially depend on the ability of its officers and key employees to manage changing business conditions and to implement its strategic plans and improve its operational, financial control and reporting systems. If the Company is unable to respond to and manage changing business conditions, the quality of the Company's services, its ability to retain key personnel and its results of operations could be materially adversely affected. The Canadian and US government’s ability to continue funding of current and planned projects could have a material adverse effect on the Company’s business.

Global economic environment

Events over the past several years have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to the Company or to its industry, such as the recent extraordinary developments in global financial markets, may adversely affect the Company over the course of time. For example, rapid changes to foreign currency exchange rates may adversely affect the Company’s financial results. Credit contraction in financial markets may hurt the Company's ability to access credit in the event that it identifies an acquisition opportunity or some other opportunity that would require a significant investment in resources. Government payments to support financial institutions, distressed industries and other countries or jurisdictions may reduce the amount of money governmental agencies have to spend on space and defence related projects. The current sequestration in the United States is an example of budget constraint and delay in providing continuing funding of programs, and these have negatively

impacted the Company's US-based operation. The Company's US-based operation has been curtailed as a result. A reduction in credit, combined with reduced economic activity, may adversely affect prime contractors and other businesses that collectively constitute a significant portion of the Company's customer base. As a result, these customers may need to reduce their purchases of COM DEV's products or services, or the Company may experience greater difficulty in receiving payment for the products or services that these customers purchase from the Company. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's business, operating results, and financial condition.

New market risks

The Company has identified, as part of its strategic direction, civil/government, and military/defence markets for its product and service offerings. While the Company has seen success in penetration into these markets, there can be no assurance that the Company's investment and efforts in these markets will continue to be successful. Failure to succeed in the civil/government and military/defence markets may adversely affect the Company's future business, financial condition and operating results. In addition, the Company has identified AIS as a promising area for profitable growth, and it has determined that exactEarth™ will be an integral part of its future strategic direction. The Company has committed or invested approximately $60 million towards the establishment and development of exactEarth™, an amount that is equal to approximately 32% of the total shareholder's equity of the Company. If the Company's investment in exactEarth™ does not obtain the desired return, management believes that the Company may be able to recover a portion of its investment; however, the inability of the Company to achieve its investment objective in its exactEarth™ subsidiary may lead to a material adverse effect on the Company's business, operations and prospects.

Acquisition and integration risk

The Company has identified, as part of its strategic direction, lateral expansion of its products through acquisition. There can be no assurance that the Company's investment and efforts, including merger and acquisition activities and post-acquisition integration will yield the benefits anticipated. Failure to successfully complete and integrate an acquisition transaction may adversely affect the Company's future business, financial condition and operating results.

Intangible asset impairment

The Company has recognized certain development activities as an intangible asset. The Company assesses these assets periodically to evaluate if the carrying value recognized as an asset has become impaired. If the Company were to determine that the applicable expected future cash flows do not support the intangible asset carrying values, impairment would need to be recognized resulting in an adverse impact on the financial results of the Company.

Cyber security

The Company utilizes and maintains databases of information and systems infrastructure to conduct its operations. Security over these systems is a priority to ensure uninterrupted business operations, meet contractual service level obligations, and protect Company information. While management, through its information systems department professionals, has established security standards to protect its systems, there can be no assurance that these will be totally effective in protecting the business systems used by the Company. Should those security standards and procedures prove to be ineffective, adverse impacts on the operations of the Company could result.

Foreign exchange risk

COM DEV carries on a significant portion of its business in the United States and elsewhere outside Canada, and the majority of its sales outside of Canada are made in USD. Any weakening in the value of the USD, GBP or EUR against the CAD would result in lower revenues and margins for the Company when stated in CAD. Changes in the CAD/USD exchange rate and in the CAD/EUR exchange rate over the past few years demonstrate a recent, material increase in the volatility of these exchange rates compared to the long-term trend and this is reflected in the value of the financial products the

Company maintains to hedge its exposure to fluctuations in the CAD/USD exchange rate. For example, for the 2014 fiscal year, the Company recognized a $1.9 million unrealized loss on the mark-to-market value of its portfolio of currency hedge instruments. For the 2013 fiscal year, the Company recognized a $0.9 million unrealized loss with respect to this portfolio. This example and others which demonstrates recent volatility in currency exchange rates underscores the importance of designing and implementing an effective currency hedging strategy. COM DEV does engage in hedging a portion of its USD-denominated net cash flows, and this helps to mitigate the economic impact caused by volatility in currency exchange rates. The Company also seeks to contract in CAD in its Canadian operations wherever possible. However, since the Company is required to report all unrealized gains and losses on its currency hedging portfolio in its consolidated financial statements, volatility in currency exchange rates may materially and adversely affect the (non-cash) earnings reported on such consolidated financial statements.

Reliance on significant customers and credit concentration

The satellite industry is characterized by a small number of prime contractors, which represents most of the Company's customer base. The relatively small number of customers leads to a concentration of the Company's revenues and accounts receivable. If one or more customers were to delay, reduce or cancel orders, or experience financial or operational difficulties, the overall orders of the Company may decrease and this development could adversely affect the Company's operations and financial condition. COM DEV is increasing its penetration with a number of smaller satellite manufacturers, as well as in satellite market segments outside the traditional commercial communications sector, to help mitigate the risk associated with having a small number of customers. However, concentration of revenues amongst a small number of customers continues. In addition, while the Company's accounts receivable tend to be concentrated, certain of its customer receivables, by virtue of their non-Canadian status, have been insured with Export Development Canada ("EDC"). However, there is no assurance that EDC will continue to provide this insurance to the Company. Any credit loss could have a material adverse effect on the Company's business, and its financial condition.

Satellite launch delays or failures

The Company's exactEarth™ subsidiary derives its revenue from selling data-based services from satellites equipped with AIS receivers. The Company's ability to control launch schedules is limited, and launch delays could adversely affect the Company's ability to earn revenues. Similarly, if a satellite were to fail in orbit or were to enter an incorrect orbit, then the Company's revenues could be adversely affected. While the Company insures its launches, enabling any satellite lost on launch to be replaced, the delay in satellite deployment could adversely affect revenues. During fiscal 2014, the proposed M3M satellite launch that was to take place on the Soyuz launch in July was postponed. While the Company has been able to reschedule the launch with the commercial arm of ISRO in 2015 there can be no guarantees that there will be no further delays.

Geopolitical events

Global political events can negatively impact the Company. The Company does business in many countries around the globe. As demonstrated by the political response and economic sanctions imposed after the annexation of Crimea by Russia, global events beyond the control of the Company can significantly impact international relationships, including collaboration with other countries and domestic government policies around granting of export permits. As a result, the international satellite industry generally and the Company specifically, can be limited in its dealings with certain countries, which could in turn have material adverse financial effects on the Company.

Future capital requirements

The Company's future capital requirements will depend on many factors, including inorganic growth initiatives, the development of new products, the progress of the Company's research and development efforts, the rate of expansion and the status of competitive products. Depending on these factors, the Company may require additional financing which may or may not be available on acceptable terms. If additional funds are raised by issuing equity securities, dilution to the existing

shareholders may result. If adequate funds are not available, the Company may not be able to achieve its growth objectives and operational targets, which could have a material adverse effect on the Company's business.

Product failure

COM DEV operates in a market where product reliability is essential. While the Company enjoys a strong reputation for product reliability, any significant product failure could materially affect the Company's reputation, revenue and future business prospects.

Environmental risks

The Company's operations are subject to a variety of laws and regulations concerning, among other things, emissions to the air, water and land, sewer discharge, handling, storage and disposal of, or exposure to, hazardous substances and wastes, recycling, remediation of contaminated sites, or otherwise relating to protection of the environment and employee health and safety. The Company uses and stores hazardous substances in conjunction with operations at its facilities. Some of its facilities are located in areas with a history of long-term industrial use, and may be impacted by past activities onsite or by contamination emanating from nearby industrial sites. Environmental laws and regulations and their interpretation have become increasingly more stringent, and COM DEV incurs expenses to monitor and comply with existing requirements, and could incur expenses to comply with future requirements. If the Company fails to comply with environmental or health and safety requirements, it could incur monetary fines, or other costs which could have a material adverse impact on the Company.

Regulatory environment for technology and materials

Certain of the Company's programs are subjected to export controls either domestically or through International Traffic in Arms Regulations. This regulatory environment places strict controls over receipt, use, transfer, and export of technology, material, and equipment. While the Company understands the requirements of these controls and regulations, there is no assurance that these regulations, or their interpretations by regulatory authorities, will not change in a way that would cause a material adverse effect to the Company's business, operations and prospects.

Timing risks

There can be no assurance that the market demand for the Company's products will translate into orders within the time frames anticipated. The timing and extent of satellite procurement, and the Company's ability to secure project orders stemming from the anticipated satellite procurement activity could have a material adverse effect on the Company's business, operations and prospects.

Competition

COM DEV's competitors, who are generally its customers, are larger, better capitalized and have greater resources than the Company. The Company believes that its ability to compete depends in part on a number of competitive factors, some of which are outside its control, such as innovative products or cost-saving production techniques developed by the Company's competitors. There can be no assurance that the Company will be able to compete successfully with its existing competitors or with potential new entrants into the marketplace where the Company competes.

Risks associated with intellectual property

The Company's success is dependent upon proprietary technology. The Company relies upon patent protection to protect its proprietary technology. In addition, the Company attempts to protect its trade secrets and other proprietary information through agreements with customers, suppliers, employees and consultants and other security measures. There can be no assurance that the steps taken by the Company in this regard will be adequate to prevent misappropriation or independent

third-party development of its technology. Furthermore, the laws of certain countries in which the Company sells its products do not protect the Company's intellectual property rights to the same extent, as do the laws of Canada or the United States.

Although the Company believes that its products and technology do not infringe patents or other proprietary rights of others, there can be no assurance that third parties will not claim that the Company's current or future products infringe the patents or other proprietary rights of others. Any such claim, with or without merit, could result in costly litigation or could require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all.

Failure to perform contracts

Contracts for the Company’s products may include penalties and/or incentives related to performance, which could materially affect operating results. Management provides for any anticipated penalty costs in its estimates of the costs to complete a contract and the contract generally limits any penalties to 5% or less of the contract value (although it is possible that some contracts may allow for higher penalty amounts). The Company’s products are complex, use sophisticated technologies and often involve a lengthy development and manufacturing cycle. In addition, these products are integral to the customer's satellite payload and alternate sources of supply may not be available in the time required, or at all. Consequently, any failure by the Company to satisfy its contractual obligations could trigger losses in excess of the value of the contract. Since the Company often works on large individual contracts, the claims against the Company could be material.

Project performance

Any inability of the Company to execute customer projects in accordance with requirements, including adherence to delivery timetables, could have a material adverse effect on the Company’s business, operations and prospects.

Dependence on key personnel

The Company is highly dependent on the continued service of and its ability to attract and retain qualified technical and engineering personnel who are able to provide outstanding service to the Company. The competition for such personnel is intense and the loss of particular people, as well as the failure to recruit additional key technical personnel in a timely manner, could have a material adverse effect on the Company's business.

Global launch capacity

Satellite launch vehicle manifests tend to fill months, or even years, in advance of an actual launch date. Recent events involving Russia and the Ukraine have caused some governments to step in to limit or even suspend the use of Russian launch capabilities and facilities, by rejecting or revoking export licence applications for products destined to be launched in Russia. The government of Canada recently stepped in to stop the M3M satellite from being shipped to its launch site in Russia. Launch capacity is a pacing item in the process of getting a satellite into operation, and any prolonged net reduction of such capacity could result in longer wait times to get on a launch manifest, which in turn could lead to a slowing of new satellites being ordered. The impact of such a slowdown, should it materialize, could have a material adverse impact on the Company’s operations and results.

Fluctuations in operating results

The Company's revenues and earnings fluctuate from quarter to quarter, or year to year, based on customer requirements and the timing of orders. While the Company recognizes revenue on a percentage of completion basis for long-term contracts, it has experienced fluctuations in its quarterly operating results and anticipates that such fluctuations may continue. The Company’s revenue is derived in large part from long-term fixed price contracts, some of which are subject to significant technology risk. As a result, the Company’s financial reporting relies upon management's estimates of earned revenues and the costs required to complete the project. Revision to the estimates used in the preparation of the Company’s consolidated financial results could have a material impact on consolidated financial results of future periods. There can be no assurance

that levels of profitability will not vary significantly among quarterly or annual periods. The Company's operating results may fluctuate as a result of many factors, including increased competition, the size and timing of significant customer orders, cancellations of significant projects by customers, changes in operating expenses, changes in the Company's strategy, personnel changes, foreign currency exchange rates and general economic and political factors.

The Company's expense levels are based in significant part on its expectations regarding future revenues. Accordingly, the Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Any significant revenue shortfall could therefore have a material adverse effect on the Company's results of operations.

Sources of supply

The Company uses some subcomponents for which there is only a single source of supply. As a result, the Company may occasionally suffer shortages of such subcomponents, which may have short-term adverse effects on the Company's revenue. Although the Company seeks to reduce exposure to single source suppliers through a continual evaluation of competent alternate sources of supply, loss of certain of these suppliers, or the inability of certain of these suppliers to deliver to the Company on a timely basis, could have a material adverse effect on the Company's operations and prospects.

Seasonal volatility

The Company recognizes revenue based on percentage of completion in accordance with its stated accounting policy. Since the recognition of revenue is determined by costs incurred on projects compared to total expected costs, and since a large portion of the Company's project costs are labour, any quarter with fewer working days will cause a reduction in the amount of labour used on projects, and consequently, revenue recognized for such quarter. Typically, the Company slows production during the Christmas holiday season to provide time for maintenance and facilities improvements to take place. As a result, the Company's first quarter revenues are typically the lowest of the year.

Tax assessments

The Company is subject to periodic assessments of its various tax filings. While the Company is committed to compliance with all tax laws in the jurisdictions within which it operates, there is no assurance that its tax filings will be accepted by the relevant government authorities, and reassessments could result. Any reassessment could have a material adverse impact on the consolidated financial position of the Company.

An assessment was received in the third quarter of 2011 resulting from a Canada Revenue Agency audit that indicated that the Company failed to make required withholdings on payments made to a certain vendor from 2006 to 2010. The Company has a contractual right to recover the amount of withholding taxes under its contract with the vendor and accordingly has recognized a receivable. A letter of credit has been issued in favour of Canada Revenue Agency to secure this disputed amount. For a complete description regarding the current status of ongoing income tax audits, see note 13 in the 2014 Notes to the Consolidated Financial Statements.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable, but not absolute, assurance that material information required to be publicly disclosed by a public company is communicated in a timely manner to senior management to enable them to make timely decisions regarding public disclosure of such information. We have conducted an evaluation of our disclosure controls and procedures as of October 31, 2014 under the supervision, and with the participation of, our Chief Executive Officer and our Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures (as this term is defined in the rules adopted by Canadian securities regulatory authorities) are effective in providing reasonable assurance that material information relating to COM DEV is made known to them and information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under applicable law.

Management's quarterly report on internal control over financial reporting

Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Additionally, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the effectiveness of internal control over financial reporting. Our Chief Executive Officer and our Chief Financial Officer have assessed the effectiveness of our internal control over financial reporting and concluded that, as at October 31, 2014, such internal control over financial reporting is effective and that there were no material weaknesses.

Changes in internal controls over financial reporting

There have been no changes in our internal controls over financial reporting that occurred during the year ended October 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Outstanding Share Data

Details of the Company's outstanding share data as of January 15, 2015 are as follows:

Common Shares	76,486,927
Options On Common Shares	1,494,680

Each option is exercisable for one common share of the Company.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
COM DEV International Ltd.

We have audited the accompanying consolidated financial statements of **COM DEV International Ltd.**, which comprise the consolidated statements of financial position as at October 31, 2014 and 2013 and November 1, 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended October 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

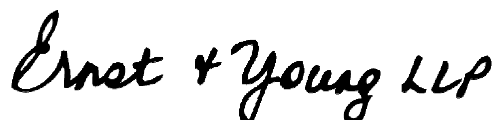
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **COM DEV International Ltd.** as at October 31, 2014 and 2013 and November 1, 2012, and its financial performance and its cash flows for the years ended October 31, 2014 and 2013 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants

Kitchener, Canada
January 14, 2015

COM DEV International Ltd.
Consolidated Statements of Financial Position
(Canadian dollars in thousands)

	As at October 31, 2014	As at October 31, 2013 (note 20)	As at November 1, 2012 (note 20)
Assets			
Current assets			
Cash and cash equivalents	$ 33,570	$ 34,897	$ 25,794
Accounts receivable	35,613	37,460	41,722
Inventory (note 4)	61,934	59,383	64,763
Prepaid expenses and other	3,701	2,716	3,214
Income taxes recoverable	1,002	2,245	2,266
Investment tax credits-current (note 5)	3,195	2,961	2,162
Total current assets	139,015	139,662	139,921
Non-current assets			
Property, plant and equipment (notes 6 and 8)	97,499	92,340	86,000
Intangible assets (notes 7 and 8)	22,110	16,416	14,600
Goodwill (note 8)	-	-	2,205
Investment tax credits (note 5)	12,571	9,933	2,124
Deferred income tax assets (note 12)	4,032	9,552	14,728
Total non-current assets	136,212	128,241	119,657
Total assets	$ 275,227	$ 267,903	$ 259,578
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 31,492	$ 26,334	$ 30,622
Income taxes payable	296	4	851
Provisions (note 19)	417	1,215	430
Billings in excess of costs and earnings on contracts in progress (note 4)	12,790	17,047	22,448
Current portion of loans payable (note 9)	7,677	5,787	3,978
Total current liabilities	52,672	50,387	58,329
Non-current liabilites			
Accounts payable and accrued liabilities	283	33	525
Loans payable (note 9)	11,649	14,890	16,358
Employee future benefits (notes 16 and 20)	6,207	3,803	5,514
Total non-current liabilities	18,139	18,726	22,397
Total liabilities	$ 70,811	$ 69,113	$ 80,726
Equity			
Share capital (note 11)	$ 177,100	$ 346,572	$ 345,876
Treasury stock (note 11)	(912)	(1,051)	(432)
Contributed surplus (note 11)	178,439	8,326	9,298
Accumulated other comprehensive income (loss) (note 20)	2,357	1,982	(1,700)
Deficit (note 20)	(157,792)	(163,259)	(181,509)
Equity attributable to shareholders	199,192	192,570	171,533
Non-controlling interest	5,224	6,220	7,319
Total equity	204,416	198,790	178,852
Total liabilities and equity	$ 275,227	$ 267,903	$ 259,578

See accompanying notes to consolidated financial statements

On behalf of the Board:

Terry Reidel

Kym Anthony

COM DEV International Ltd.
Consolidated Statements of Changes in Equity
(Canadian dollars in thousands)

For the year ended October 31, 2014	Deficit	Accumulated Other Comprehensive Income (Loss)	Share Capital	Treasury Stock	Contributed Surplus	Total Equity Attributable to Shareholders	Non-Controlling Interest	Total Equity
Balance, October 31, 2013 (note 20)	$ (163,259)	$ 1,982	$ 346,572	$ (1,051)	$ 8,326	$ 192,570	$ 6,220	$ 198,790
Net income	10,050					10,050	(982)	9,068
Other comprehensive income	-	375	-	-	-	375	(14)	361
Common shares issued (note 11)	-	-	1,261	-	(574)	687	-	687
Common shares repurchased and cancelled (note 11)	-	-	(733)	-	(354)	(1,087)	-	(1,087)
Expense recognized for ESOP awards (note 11)	-	-	-	-	209	209	-	209
Treasury stock (note 11)	-	-	-	(884)	-	(884)	-	(884)
Reduction in stated capital (note 11)	-	-	(170,000)	-	170,000	-	-	-
Dividends paid (note 11)	(4,583)	-	-	-	-	(4,583)	-	(4,583)
Settlement of long-term incentive plans, net of tax (note 11)	-	-	-	1,023	(1,228)	(205)	-	(205)
Expense recognized for long-term incentive plans (note 11)	-	-	-	-	1,679	1,679	-	1,679
Expense recognized for stock-based compensation (note 11)	-	-	-	-	381	381	-	381
Balance, October 31, 2014	$ (157,792)	$ 2,357	$ 177,100	$ (912)	$ 178,439	$ 199,192	$ 5,224	$ 204,416

For the year ended October 31, 2013	Deficit	Accumulated Other Comprehensive Income (Loss)	Share Capital	Treasury Stock	Contributed Surplus	Total Equity Attributable to Shareholders	Non-Controlling Interest	Total Equity
Balance, October 31, 2012 (note 20)	$ (181,509)	$ (1,700)	$ 345,876	$ (432)	$ 9,298	$ 171,533	$ 7,319	$ 178,852
Net income	18,250					18,250	(1,096)	17,154
Other comprehensive income	-	3,682	-	-	-	3,682	(3)	3,679
Common shares issued (note 11)	-	-	696	-	(474)	222	-	222
Expense recognized for ESOP awards (note 11)	-	-	-	-	203	203	-	203
Treasury stock (note 11)	-	-	-	(1,870)	-	(1,870)	-	(1,870)
Settlement of long-term incentive plans, net of tax (note 11)	-	-	-	1,251	(2,118)	(867)	-	(867)
Expense recognized and deferred tax for long-term incentive plans (note 11)	-	-	-	-	1,030	1,030	-	1,030
Expense recognized for stock-based compensation (note 11)	-	-	-	-	387	387	-	387
Balance, October 31, 2013	$ (163,259)	$ 1,982	$ 346,572	$ (1,051)	$ 8,326	$ 192,570	$ 6,220	$ 198,790

See accompanying notes to consolidated financial statements

COM DEV International Ltd.
Consolidated Statements of Income
(Canadian dollars in thousands, except for per share figures)

For the years ended October 31	2014	2013 (note 20)
Revenue (note 15)	$ 208,201	$ 215,449
Cost of revenue (note 20)	154,444	157,439
Gross margin	53,757	58,010
Selling expenses	12,018	11,870
General expenses	20,399	20,236
Net research and development expenses (income) (note 18)	3,220	(3,881)
Impairment (reversal) loss (note 8)	(2,687)	3,486
Restructuring	1,481	709
Operating expenses	34,431	32,420
Operating income	19,326	25,590
Interest expense	245	528
Foreign exchange loss (gain)	868	(926)
Other expense (income) (note 14)	467	(71)
Income before income taxes	17,746	26,059
Income tax expense (note 12)	8,678	8,905
Net income	$ 9,068	$ 17,154
Attributable to:		
Shareholders	10,050	18,250
Non-controlling interest	(982)	(1,096)
	$ 9,068	$ 17,154
Earnings per share (note 11)		
Basic and diluted earnings per share	$ 0.13	$ 0.24

See accompanying notes to consolidated financial statements

COM DEV International Ltd.
Consolidated Statements of Comprehensive Income
(Canadian dollars in thousands, except for per share figures)

For the years ended October 31		2014		2013
				(note 20)
Net income	$	9,068	$	17,154
Other comprehensive income (loss):				
Items that may be subsequently reclassified to net income:				
Foreign currency translation, net of income tax expense		2,423		1,580
Items that will not be subsequently reclassified to net income:				
Actuarial (losses) gains on defined benefit pension plans and other post-retirement plans, net of income tax expense (notes 16 and 20)		(2,062)		2,099
Other comprehensive income; net of income taxes		361		3,679
Comprehensive income	$	9,429	$	20,833
Attributable to:				
Shareholders	$	10,425	$	21,932
Non-controlling interest		(996)		(1,099)
	$	9,429	$	20,833

See accompanying notes to consolidated financial statements

COM DEV International Ltd.
Consolidated Statements of Cash Flows
(Canadian dollars in thousands)

For the years ended October 31	2014	2013 (note 20)
Operating activities		
Net income	$ 9,068	$ 17,154
Depreciation and amortization (notes 6 and 7)	11,313	10,659
Impairment (reversal) loss (note 8)	(2,687)	3,486
(Gain) loss on disposal of assets	(124)	588
Defined benefit plan expenses (notes 16 and 20)	800	857
Defined benefit plan contributions (note 16)	(778)	(704)
Stock-based compensation expense (note 11)	2,060	1,417
Employee stock ownership plan awards (note 11)	209	203
Non-cash loan adjustments	1,349	758
Investment tax credits recoverable (note 18)	(5,109)	(11,722)
Deferred income tax expense (note 12)	6,216	5,176
Fair value loss on foreign exchange derivatives (note 9)	1,931	868
Withholding tax remittance on stock units settlement (note 11)	(684)	(867)
Discounting of investment tax credits (note 5)	199	398
	23,763	28,271
Net change in non-cash working capital balances	523	3,522
Operating activities	24,286	31,793
Financing activities		
Shares issued (note 11)	687	222
Shares repurchased and cancelled (note 11)	(1,087)	-
Purchase of treasury stock (note 11)	(884)	(1,870)
Proceeds from advances of long-term debt	1,113	2,959
Repayments of long-term debt	(3,813)	(3,238)
Dividends paid (note 11)	(4,583)	-
Financing activities	(8,567)	(1,927)
Investing activities		
Acquisition of property, plant and equipment (note 6)	(10,511)	(14,100)
Proceeds on disposal of property, plant and equipment	192	143
Acquisition of intangible assets (note 7)	(7,319)	(5,797)
Investing activities	(17,638)	(19,754)
Effect of exchange rate changes on cash and cash equivalents	592	(1,009)
Net (decrease) increase in cash and cash equivalents	(1,327)	9,103
Cash and cash equivalents, beginning of the year	34,897	25,794
Cash and cash equivalents, end of the year	$ 33,570	$ 34,897
Supplemental cash flow information		
Interest received	$ 547	$ 98
Interest paid	$ 582	$ 527
Income taxes paid	$ 1,551	$ 1,607

See accompanying notes to consolidated financial statements

1. DESCRIPTION OF THE BUSINESS

COM DEV International Ltd. (the “Company” or “COM DEV”) is a leading global designer, manufacturer and distributor of space communications and space science products and systems. COM DEV designs and manufactures advanced instruments and microwave products for space satellites (“Equipment segment”) such as multiplexers, filters, switches, surface acoustic wave devices, signal processors, satellite payloads, and micro-satellite spacecraft. The products are sold to substantially all of the major satellite prime contractors and many government space agencies for use in commercial communications, military/defence communications and space science satellites. The Company is also the leading provider of space-based maritime tracking data (“Data Services segment”) from its own satellites through its jointly owned subsidiary, exactEarth™ Ltd. (“exactEarth™”).

The Company is a publicly listed company incorporated under the Canada Business Corporations Act (“CBCA”) and its shares are listed on the Toronto Stock Exchange. The Company began operations in 1974 and completed its initial public offering in December 1996. The Company’s head office is located at 155 Sheldon Drive, Cambridge, Ontario, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These Consolidated Financial Statements were prepared on a going concern basis and present the Company’s financial results of operations and financial position as at and for the year ended October 31, 2014, including comparative periods, under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (”IASB”).

These Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on January 14, 2015.

b) Basis of presentation

The Consolidated Financial Statements include the accounts of all of the Company's subsidiaries with inter-company transactions and balances eliminated. The Company's principal wholly-owned subsidiaries are COM DEV Limited ("CDL"), COM DEV Europe Limited ("CDE"), COM DEV USA LLC ("CDU"), COM DEV US Property LLC ("CD US Property"), COM DEV Consulting Ltd. ("CD Consulting"), COM DEV Services India Private Limited (“CD India”), and Xi'an COM DEV Microwave Electronics Company Limited ("Xian"). The Company's 73% owned subsidiary is exactEarth™.

These Consolidated Financial Statements are presented in Canadian dollars and have been prepared on a historical cost basis, except for certain financial assets and liabilities including derivative financial instruments which are stated at fair value.

The Company’s significant accounting policies are set out below. These accounting policies have been applied consistently to all periods presented in these Consolidated Financial Statements and by all entities.

c) Change in accounting policies

International Accounting Standard 19R, Employee Benefits

During the first quarter of fiscal 2014, the Company adopted the amended International Accounting Standard 19, Employee Benefits (“IAS 19R”). IAS 19R eliminates the option to defer the recognition of gains and losses, known as the 'corridor method'. This means all changes in value of defined benefit plans will be recognized as they occur. Income will be charged with service costs and net interest income or expense, while remeasurements will be

presented in other comprehensive income. The amendment also enhances the disclosure requirements for defined benefit plans.

The impact of this change in policy, which has been applied on a retrospective basis, is disclosed in note 20 to these Consolidated Financial Statements.

International Financial Reporting Standard 7, Financial Instruments: Disclosures

International Financial Reporting Standard 7, Financial Instruments: Disclosures ("IFRS 7"), was amended in 2011 and requires entities to disclose information about the effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of this amendment did not result in any changes to these Consolidated Financial Statements.

International Financial Reporting Standard 10, Consolidated Financial Statements

International Financial Reporting Standard 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 supersedes IAS 27, Consolidated and Separate Financial Statements, and Standing Interpretations Committee Interpretation 12, Consolidation – Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to these Consolidated Financial Statements.

International Financial Reporting Standard 11, Joint Arrangements

International Financial Reporting Standard 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 current International Accounting Standard 31, Interests in Joint Ventures, and Standing Interpretations Committee Interpretation 13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to these Consolidated Financial Statements.

International Financial Reporting Standard 12, Disclosure of Interests in Other Entities

International Financial Reporting Standard 12, Disclosure of Interests in Other Entities ("IFRS 12"), 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 disclosure requirements and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to these Consolidated Financial Statements.

International Financial Reporting Standard 13, Fair Value Measurements

International Financial Reporting Standard 13, Fair Value Measurements ("IFRS 13"), is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. 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. Previously, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures. IFRS 13 is to be applied prospectively for annual periods beginning on or after January 1, 2013. The methods, assumptions, processes and procedures for determining fair value were revisited and

adjusted where applicable. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognized or disclosed. The application of IFRS 13 resulted in additional disclosures within these annual Consolidated Financial Statements.

International Accounting Standard 28, Investments in Associates and Joint Ventures

International Accounting Standard 28, Investments in Associates and Joint Ventures ("IAS 28"), was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. The adoption of this amendment did not result in any changes to these Consolidated Financial Statements.

International Accounting Standard 36, Impairment of Assets

International Accounting Standard 36, Impairment of Assets ("IAS 36"), was amended in 2013 to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs to sell. Specifically, for any material impairment losses recognized or reversed during the reporting period, this amendment requires an entity to disclose the recoverable amount of the cash generating unit ("CGU") and when the recoverable amount has been based on fair value less costs to sell, the entity must disclose the level of the IFRS 13 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined. For all measurements at Level 2 or Level 3 of the fair value hierarchy, the entity must disclose the valuation technique used as well as any changes in that valuation technique and key assumptions used in the measurement of fair value including the discount rates used if a present value technique is applied. The amendments are effective for annual periods beginning on or after January 1, 2014. The Company has early adopted the amendments to IAS 36. The early adoption of these amendments did not result in any significant changes to these Consolidated Financial Statements.

d) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short-term investments that mature within 90 days from the date of acquisition. Short-term investments are carried at their fair values.

e) Inventory

Inventory, other than contracts in progress, is valued at the lower of cost on a weighted average basis and net realizable value. Cost of raw materials includes the purchase cost and the cost incurred in bringing each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Items that are written down to net realizable value are adjusted back up to cost if there is a subsequent increase in the net realizable value. The majority of inventory is raw materials and component parts held for use in the contracts in progress projects and are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Contracts in progress are valued at cost plus accrued profit margins, less billings issued to date.

f) Property, plant and equipment

Property, plant and equipment ("PP&E") are stated at cost, net of accumulated depreciation and accumulated impairment losses and reversals, if any. Such cost includes the cost of replacing component parts of the PP&E and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of PP&E are required to be replaced at intervals, the Company derecognizes the replaced part and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is

recognized in the carrying amount of the PP&E as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Consolidated Statements of Income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	forty to seventy years
Machinery	five to twenty-five years
Electrical equipment, furniture and fixtures	five to forty years
Computer hardware	three to fifteen years

An item of PP&E and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or eventual disposition. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statements of Income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

g) Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is immediately recognized in the Consolidated Statements of Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

h) Intangible assets

Finite life intangible assets are valued at cost less accumulated amortization. Intangible assets with finite lives are amortized over their estimated useful lives using the straight-line method as follows:

Patents	up to seventeen years
Customer relationships	up to eight years
Non-compete agreement	over term of agreement (three years)
Acquired processes over the expected life of the technology	up to five years
Computer software not integral to the hardware on which it operates	three to ten years
Internally developed technology	five to seven years
Data rights	five to ten years

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life

are reviewed at least at the end of each reporting period. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statements of Income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Consolidated Statements of Income when the asset is derecognized.

Patent costs represent amounts paid to third parties for the development or acquisition of patents. Costs that are directly attributable to the development and testing of identifiable and unique internally developed technology controlled by the Company are recognized as intangible assets when the criteria specified in IAS 38, Intangible Assets (“IAS 38”) are met. Capitalized costs include employee costs for staff directly involved in technology development and other expenditures directly related to the project.

Research and development expenditures

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset only when they have met the conditions of IAS 38. Investment tax credits ("ITCs") reduce research and development expense and/or intangible assets in the same period in which the related expenditures are charged to earnings or capitalized, provided there is reasonable assurance the benefit will be realized. Otherwise, the incentives are recorded when the benefit is expected to be realized.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. The asset is amortized over the period of expected future benefit. Amortization is recorded in cost of revenue. During the period of development, the asset is tested for impairment annually.

Research and development costs that are funded by the Company are presented within “Net research and development expenses (income)” on the Consolidated Statements of Income. Research and development costs that are funded by customers or other programs are included in cost of revenue. Government grants, ITCs, and other funding for research activity are presented as a reduction of the related expense.

i) Impairment of long-lived assets

The Company assesses at each reporting date whether there is an indication that an asset or CGU may be impaired. If any indication exists, or when annual impairment testing for an asset or CGU is required as specified in IAS 36, the Company estimates the asset's or CGU’s recoverable amount. An asset’s or CGU’s recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The Company’s CGUs correspond to business units monitored by management. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

A previously recognized impairment loss on long-lived assets is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there is a subsequent increase in the recoverable amount. An impairment loss is reversed only to the extent that the asset’s or CGU’s carrying value does not exceed the carrying value that would have been determined, net of amortization expense, had no impairment loss been recognized.

Goodwill

Goodwill is tested for impairment annually or as circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Assets recorded under finance leases are amortized using the rates consistent with those used by the Company for similar assets. Finance charges are recognized in the Consolidated Statements of Income.

Leased assets are amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is amortized over the shorter of the estimated useful life and the lease term.

Leases where the Company does not assume substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Operating leases are recognized as an expense in the Consolidated Statements of Income on a straight-line basis over the lease term.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

l) Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income. Current income tax related to items recognized directly in equity is recognized in equity and not in the Consolidated Statements of Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the

liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred taxes are recognized for all taxable temporary differences, except in specific circumstances as outlined in IAS 12, Income Taxes ("IAS 12").

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except in specific circumstances as outlined in IAS 12.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that all or part of the deferred tax asset will be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the benefit will be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in income if it is incurred subsequent to the measurement period.

Revenues, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statements of Financial Position.

m) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Construction contracts

The Company recognizes substantially all of the revenue in the equipment segment on long-term contracts using the percentage of completion basis, based on costs incurred relative to the estimated total contract costs. Losses on such contracts are accrued when the estimate of total costs indicates that a loss will be realized. Contract costs plus recognized profit in excess of contract billings are recognized as contracts in progress and included as part of inventory in the Consolidated Statements of Financial Position. Contract billings in excess of costs incurred plus recognized profit are included as billings in excess of costs and earnings on contracts in progress and included in current liabilities.

Sale of goods

A portion of the Company's revenue is derived from the sale of goods and services on short-term agreements and purchase orders as well as "cost-plus" government contracts where the Company recovers its costs plus a profit margin as set out in the contract. Revenues from the sale of goods are recognized when the significant risks and

rewards of ownership of the goods have transferred to the buyer, usually on the delivery of goods or transfer of title to the customer. Cost-plus contract revenue is recognized as eligible costs are incurred on the applicable contracts as long as they don't exceed the maximum cap.

Rendering of services

The Company recognizes substantially all of the service revenue in the Data Services segment by reference to the stage of completion of the transaction in the period in which the services are rendered.

n) Foreign currency translation

Functional currency is the currency of the primary economic environment in which the reporting entity operates and is normally the currency in which the entity generates and expends cash. Each entity in the Company determines its own functional currency. Each entity's financial statements are translated from their functional currency to Canadian dollars and included in the Consolidated Financial Statements.

Transactions

Foreign currency transactions are initially recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange spot rate at the reporting date. All differences are recorded in the Consolidated Statements of Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Translation

The assets and liabilities of foreign operations are translated into Canadian dollars at year-end exchange rates and their revenue and expense items are translated at exchange rates prevailing at the date of the transactions. The resulting exchange differences are recognized in other comprehensive income. On disposal of a foreign operation, the foreign exchange in accumulated other comprehensive income relating to that particular foreign operation is recognized in the Consolidated Statements of Income.

o) Financial instruments

Financial assets

Financial assets within the scope of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus directly attributable transaction costs. The Company's financial assets include cash and cash equivalents, accounts receivable, ITCs, and derivative financial instruments.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The Company designates ITCs as loans and receivables measured at amortized cost using the effective interest method. Financial assets at fair value through profit or loss are carried in the Consolidated Statements of Financial Position at fair value with changes in fair value recognized in "Foreign exchange (loss) gain" in the Consolidated Statements of Income.

Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are non-interest bearing and are generally on 30-90 day payment terms. Any impairment of trade receivables is recorded through “General expenses” in the Consolidated Statements of Income.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired and the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Company has transferred substantially all of the risks and rewards of ownership of the asset or the Company has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset, but has transferred control of the asset.

Impairment of financial assets

COM DEV assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, long-term debt, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for

trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognized in the Consolidated Statements of Income.

The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Long-term debt

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Consolidated Statements of Income when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Consolidated Statements of Income.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis, or other appropriate valuation models.

p) Derivative financial instruments

The Company, in the management of its foreign currency exposures, utilizes derivative financial instruments. The Company generally uses foreign exchange put options and related call options to manage foreign currency risk related to sales to customers in the United States and the United Kingdom. The Company has elected not to apply hedge accounting. Derivatives are carried at their fair value in the Consolidated Statements of Financial Position and changes in the fair value of derivatives are recognized in "Foreign exchange (loss) gain" in the Consolidated Statements of Income.

q) Government assistance

Government assistance is periodically received in the form of grants, loans or ITCs (see ‘Research and development expenditures’) that may be repayable in the form of royalties based on future sales levels related to the technology funded. Amounts that are repayable will be accounted for in the period in which conditions arise that will cause repayment. Government assistance with predetermined repayment requirements or conditional criteria is recorded as a liability when received or until the conditions are satisfied. If no predetermined repayment requirements exist, the assistance is treated as a reduction in the cost of the related item.

Interest free government loans are measured at amortized cost, using the effective interest rate method. The interest rate used is based on the market rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant. The grant portion is split between operating costs and capital costs based on the costs to which the loan relates. The grant related to capital is

recognized as a reduction to the carrying amount of an eligible asset and is realized over the life of the asset as reduced amortization expense. The grant related to operating expenses is recognized in other income/expense.

r) Earnings per share

Basic earnings per share are calculated on the basis of net income attributable to holders of common shares, divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of the in-the-money stock options together with unamortized compensation expense are used to repurchase common shares at the prevailing market rate, thereby reducing the number of shares otherwise used to calculate the diluted earnings per share.

s) Stock-Based Compensation, Employee Share Ownership Plan ("ESOP") and Long-Term Incentive Plan ("LTIP")

The Company provides compensation to employees in the form of a stock option plan. The Company only grants stock options with an exercise price equal to the market value of the underlying stock on the date of grant. The Company employs a fair value method of accounting for all options granted to employees or directors. The fair value of the direct grants of stock is determined by the quoted market price of the Company's stock at the time of the award and the fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of awards issued is recorded over the period of vesting as compensation expense and contributed surplus based on the number of options expected to vest. When the options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

The Company offers employees the option of contributing a portion, between 2.5% and 10%, of their gross salary towards the purchase of common shares of the Company through the ESOP. The Company issues one share for every four shares that employees purchase during the plan year, which runs from March 1 to February 28. The Company's matching contribution will be issued to the employee contingent upon the employee remaining employed by the Company on the date one year following the end of the plan year. The fair values on the date that the employees commit to purchase shares are used to determine the applicable compensation expense to the Company. The compensation expense is recognized over the period from the date the employee acquires the shares to the date the Company-matching shares are issued to the employee. The accumulated amount of ESOP shares charged to income but not yet issued is included in contributed surplus.

Restricted share unit and performance share unit plans

In 2009, the Company established an LTIP for executives and certain employees. Under the terms of this plan, participants are eligible to receive incentive remuneration in the form of Restricted Share Units (“RSUs”) and/or Performance Share Units (“PSUs”). RSUs are time based and will vest automatically (cliff vest) three years after the grant date. Each RSU, once vested, entitles the holder to receive one common share of the Company. The Company intends to buy common shares on the open market to satisfy obligations under the RSU plan, but has the option to satisfy obligations in cash. The value of the RSUs is based on the fair market value of the Company's shares on the day of the grant and accounted for as an equity-settled instrument. The estimated fair value of the RSUs is amortized to expense over the vesting period.

The value of the PSUs is based on the fair market value of the shares on the day of the grant and is accounted for as an equity-settled instrument. The vesting term of the PSUs is three years commencing on the date of the grant, and incorporates performance-vesting features based upon achieving certain return on net assets targets established over the vesting period. Each PSU, once vested, entitles the holder to receive one common share of the Company. The Company intends to buy common shares on the open market to satisfy obligations under the PSU plan, but has the option to satisfy obligations in cash. The estimated fair value of the PSUs that are expected to achieve the performance targets is amortized to expense over the vesting period. If, in the future, the performance criteria are

expected to not be met, then the change is treated as a change in estimate, and the cumulative effect of the change will be adjusted through income in the period.

Deferred share unit plan

Effective for the fiscal year commencing November 1, 2013, the Company has adopted a Deferred Share Unit Plan ("DSU Plan"). Under the terms of this plan, as amended April 23, 2014, non-employee directors are required to receive a portion of their annual compensation in the form of deferred share units ("DSUs") and can elect to increase the percentage paid in DSUs. The DSUs vest over the annual service period for the director after the grant date and will be settled upon the directors' retirement from the Board. Each DSU entitles the holder to receive one common share of the Company. The value of the DSUs is based on the fair market value of the shares on the day of the grant and is accounted for as an equity settled instrument. The Company intends to buy common shares on the open market to satisfy obligations under the DSU plan, but has the option to satisfy obligations in cash. The estimated fair value of the DSUs is expensed over the annual service period.

t) Employee future benefit plans

Defined contribution pension plan

The Company sponsors a defined contribution pension plan for certain of its employees. The cost of providing benefits through the defined contribution pension plan is charged to income in the period in which the contributions become payable.

Defined benefit pension plan

The defined benefit pension plan covers certain eligible employees of the Company. Retirement benefits are based on the employee's service and compensation history. Some of the employees are required to contribute towards the cost of their plan benefits. The calculation of defined benefit obligations is actuarially determined on an annual basis using the projected unit credit method pro-rated on service. Actuarial assumptions for high-quality long-term bond rates, salary escalation and retirement ages of employees reflect historical experience and management's assessment of future expectations. Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest expense) are recognized immediately in other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income.

The net interest expense (income) on the net defined benefit liability (asset) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense (income), current service costs and administrative expenses are recognized immediately in the Consolidated Statements of Income.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in the net benefit liability (asset) that relates to past service or the gain or loss on curtailment is recognized immediately as a gain or loss in the Consolidated Statements of Income.

Non-pension retirement benefits

The Company provides non-pension retirement benefits including medical and vision benefits for eligible retirees, their spouses and qualified dependents. The current service costs and net interest expense on the net defined benefit liability are recognized in the Consolidated Statements of Income during the period during in which the services are rendered. The net defined benefit liability is actuarially determined using the projected unit credit method pro-rated on service based on management's best estimate of high-quality long-term bond rates, retirement ages of employees and expected health care costs. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income.

u) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statements of Income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

v) Business combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities acquired for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 in income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

w) Critical judgments and estimates

The preparation of the Company's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the critical judgments, estimates and assumptions that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the Consolidated Financial Statements:

Revenue recognition and contracts in progress

Revenues on construction contracts are recognized on a percentage-of-completion basis. In applying the accounting policy on construction contracts, judgment is required in determining the estimated costs to complete a contract. These cost estimates are reviewed at each reporting period and by their nature may give rise to income volatility.

Income (loss) on completion of contracts accounted for under the percentage-of-completion method

To estimate income (loss) on completion, the Company takes into account factors inherent to the contract by using historical and/or forecast data. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized immediately and recorded in "Provisions" in the Consolidated Statements of Financial Position. The provision is drawn down over the completion of the contract using the percentage-of-completion method.

Impairments

The recoverable amount of goodwill, intangible assets and PP&E is based on estimates and assumptions regarding the expected market outlook and cash flows from each CGU. Details of the key estimates used in assessing the recoverable amount of each CGU at the last impairment review are provided in note 8.

Deferred taxes

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Investment tax credits

ITCs are accounted for using the cost reduction method whereby the credits are applied to reduce the related qualifying expenditure. ITCs have been recognized in the accounts on the basis of reasonable assurance of realization. The amounts recorded have been determined by the Company based on current legislation and management's best estimates of future taxable income. The amount that will ultimately be received may differ from the amount recorded.

Capitalization of development costs

When capitalizing development costs, the Company must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets, and therefore, the estimates and assumptions associated with these calculations are instrumental in: (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Company.

Employee benefits

The Company considers a number of factors in developing the pension assumptions, including an evaluation of relevant discount rates, expected long-term returns on plan assets, plan asset allocations, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, economic benefits available and input from actuaries and other consultants. Costs of the programs are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

Financial instruments

The valuation of the Company's derivative instruments and certain other financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value is estimated are provided in note 9(c).

Inventory provision

To estimate recoverable value of inventory, the Company takes into account age of items, time since last activity and future expected usage.

3. FUTURE ACCOUNTING CHANGES

Standards issued but not yet effective or amended up to the date of issuance of the Company's Consolidated Financial Statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

International Financial Reporting Standard 9, Financial Instruments: Classification and Measurement

International Financial Reporting Standard 9, Financial Instruments: Classification and Measurement ("IFRS 9") as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. On November 19, 2013, the IASB published IFRS 9, Hedge Accounting, which is a part of the third phase of its replacement of IAS 39. The new requirements allow entities to better reflect their risk management activities in the financial statements. As part of the amendments, entities may change the accounting for liabilities that they have elected to measure at fair value before applying any of the requirements in IFRS 9. This change in accounting policy would mean that gains caused by a worsening in an entity's own credit risk on such liabilities would no longer be recognized in profit or loss. Because the second phase of the IFRS 9 project related to impairment is not yet completed, the IASB decided that a mandatory effective date of January 1, 2015 would not allow sufficient time for entities to prepare to apply IFRS 9. Accordingly, the IASB has determined to apply a later mandatory effective date, which will be determined when IFRS 9 is closer to completion. However, entities may still choose to apply IFRS 9 immediately. IFRS 9 must be applied retrospectively; however, hedge accounting is to be applied prospectively (with some exceptions). The amendment becomes effective for COM DEV on November 1, 2018. The adoption of the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Company does not anticipate any material impact from the adoption of this standard on the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income or the Consolidated Statements of Financial Position of the Company.

International Accounting Standard 32, Financial Instruments: Presentation

In December 2011, International Accounting Standard 32, Financial Instruments: Presentation ("IAS 32") was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future event. The Company does not anticipate any material impact from the adoption of this standard on the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income or the Consolidated Statements of Financial Position of the Company. The amendment becomes effective for COM DEV on November 1, 2014.

IFRS Interpretations Committee ("IFRIC") 21 Levies

In May 2013, the IFRIC, with the approval by the IASB, issued IFRIC 21 – Levies. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The Company does not anticipate any material impact from the adoption of this standard on the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income or the Consolidated Statements of Financial Position of the Company.

International Financial Reporting Standard 15, Revenue from Contracts with Customers

In May 2014, the IASB issued International Financial Reporting Standard 15, Revenue from Contracts with Customers ("IFRS 15") which replaces IAS 11, Construction Contracts, IAS 18, Revenue and Related Interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the impact of adopting this new standard.

4. CONSTRUCTION CONTRACTS AND INVENTORY

Contracts in progress:	October 31, 2014	October 31, 2013	November 1, 2012
Costs incurred	$ 361,622	$ 369,732	$ 439,304
Estimated profit	95,336	101,705	99,005
Progress billings	(436,538)	(458,436)	(521,354)
Total contracts in progress:	$ 20,420	$ 13,001	$ 16,955
Disclosed as:			
Contracts in progress - costs and earnings in excess of progress billings	$ 33,210	$ 30,048	$ 39,403
Billings in excess of costs and earnings on contracts in progress	(12,790)	(17,047)	(22,448)
	$ 20,420	$ 13,001	$ 16,955
Inventory is comprised of:			
Raw materials	$ 28,724	$ 29,335	$ 25,360
Contracts in progress - costs and earnings in excess of progress billings	33,210	30,048	39,403
Total inventory	$ 61,934	$ 59,383	$ 64,763

As at October 31, 2014, included in contracts in progress are unbilled accounts receivable relating to data sales of $376, [2013 - $155, and 2012 - $575].

The amount of inventory recognized as an expense and included in cost of revenue accounted for other than by the percentage-of-completion method during the year ended October 31, 2014 was $3,041 [2013 - $3,097]. The amount charged to net income and included in cost of revenue for the write-down of inventory during the year ended October 31, 2014 was $2,876 [2013 - $1,154]. There were no reversals of previous write-downs of inventory for the years ended October 31, 2014 and 2013.

5. GOVERNMENT ASSISTANCE

Government grants

On July 11, 2013, the Company executed a conditional grant agreement with the Government of Ontario (“Ontario”). Ontario has agreed to provide a grant through the Southwestern Ontario Development Fund (“SWODF”) in order to assist the Company with the financing of its plating and high power test facilities. Under this agreement, the Company is eligible to receive funding for certain expenditures incurred from July 11, 2013 to October 31, 2016. The grant will be paid in annual installments and is subject to an annual cap of: $200 for fiscal year 2013; $100 for fiscal year 2014; $400 for fiscal year 2015; and $300 for fiscal year 2016. Ontario has distributed $200 and will distribute the remaining funds based on the lesser of: 1) the aggregate of i) 9% of eligible project costs incurred and paid in that fiscal year and ii) any carry forward amounts; and 2) the annual cap for the fiscal year. The grant is conditional upon the Company’s investment commitments and cumulative job targets. If the Company’s commitments are not met, partial mandatory repayments may be required.

During the year ended October 31, 2014, the Company accrued a receivable of $100 [2013 - $200] related to a capital grant which was applied as a reduction of PP&E in the Consolidated Statements of Financial Position.

On November 16, 2012, exactEarth™ signed an interest-free loan agreement with the Federal Development Agency for Southern Ontario (“FED DEV”). Under this agreement, exactEarth™ is eligible to receive interest-free repayable funding for certain expenditures incurred from May 11, 2011 to March 31, 2014 to a maximum of $2,491. The interest-free loan is repayable

in 84 equal consecutive monthly installments beginning April 1, 2015. Funding requests are provided to FED DEV on a quarterly basis based on actual eligible expenditures incurred.

The FED DEV interest-free loan is measured at amortized cost, using the effective interest rate method at a rate of 8%. An interest rate of 8% was used based on the market interest rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant, which is recognized as an operating grant and a capital grant based on the relative proportion of eligible expenditures incurred. The operating grant is recorded as “Other expense” in the Consolidated Statements of Income and the capital grant is recorded as a reduction in the cost of the related asset and amortized to income over the life of the asset.

During the year ended October 31, 2014, exactEarth™ recognized $410 [2013 - $2,052] relating to the FED DEV arrangement, of which nil [2013 - $173] was reflected as a loan receivable at October 31, 2014. The amounts recognized in respect of the FED DEV arrangement for the years ended October 31, 2013 and 2014 and the impact to the Consolidated Statements of Income is as follows:

		2014		2013
Amounts recognized during the year:	$	410	$	2,052
Recognized at inception as follows:				
Loan payable		318		1,471
Operating grant		79		407
Capital grant		13		174
	$	410	$	2,052
Recognized in the Consolidated Statements of Income as follows :				
Interest expense	$	134	$	46
Other (income) expense - operating grant		(79)		(407)
Cost of revenue - amortization of capital grant		(31)		(15)
Net impact	$	24	$	(376)

Investment tax credits

The Company is entitled to non-refundable ITCs granted by the Canadian federal government (“Federal ITC”) and the Ontario government (“Ontario ITC”). These ITCs are available to offset future federal and provincial income taxes payable.

The Company has estimated that it is probable that a portion of the ITCs earned in prior years will be realized. In the year ended October 31, 2014, $4,883 [2013 - $12,258] of ITCs have been recognized in “Net research and development expense (income)” in the Consolidated Statements of Income. Of the ITCs recognized during the year ended October 31, 2014, $4,328 [2013 - $11,590] relates to Scientific Research and Experimental Development (“SR&ED”) ITCs generated in prior years.

The continuity for the SR&ED non-refundable tax credits is as follows for the years ended October 31:

	2014	2013
Balance, beginning of year	$ 12,894	$ 4,286
SR&ED and Ontario appeal provision adjustment	(425)	3,607
Tax credits utilized	(1,387)	(6,859)
Tax credits recognized in net income	4,883	12,258
Adjustment of ITC due to discounting	(199)	(398)
Balance, end of year	$ 15,766	$ 12,894
Presented as:		
Current	$ 3,195	$ 2,961
Non-current	$ 12,571	$ 9,933

The total available Federal and Ontario ITCs after the current year utilization is $40,204 and $149, respectively. The Company has unrecognized ITCs of $24,587, expiring from 2026 through 2034, as at October 31, 2014.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of the following:

At November 1, 2012	Land	Buildings	Machinery	Electrical equipment	Computer hardware	Furniture and fixtures	Total
Cost	7,437	40,262	19,943	107,681	21,514	7,991	204,828
Accumulated depreciation	-	(17,669)	(12,002)	(63,547)	(19,126)	(6,484)	(118,828)
Carrying value	7,437	22,593	7,941	44,134	2,388	1,507	86,000
At October 31, 2013							
Cost	7,688	45,164	21,676	115,292	21,094	7,998	218,912
Accumulated depreciation	-	(19,219)	(13,559)	(67,423)	(19,590)	(6,781)	(126,572)
Carrying value	7,688	25,945	8,117	47,869	1,504	1,217	92,340
At October 31, 2014							
Cost	8,579	50,031	22,259	119,783	21,282	8,067	230,001
Accumulated depreciation	-	(19,857)	(13,646)	(71,727)	(20,219)	(7,053)	(132,502)
Carrying value	8,579	30,174	8,613	48,056	1,063	1,014	97,499

Carrying value reconciliation	Land	Buildings	Machinery	Electrical equipment	Computer hardware	Furniture and fixtures	Total
At November 1, 2012	7,437	22,593	7,941	44,134	2,388	1,507	86,000
Additions	-	4,527	1,594	7,857	100	22	14,100
Disposals and other	-	(3)	(7)	338	(463)	(70)	(205)
Impairment reversal (loss)	-	(85)	(328)	(86)	(7)	(14)	(520)
Depreciation expense	-	(1,457)	(1,203)	(4,279)	(656)	(292)	(7,887)
Translation adjustment	251	370	120	(95)	142	64	852
At October 31, 2013	7,688	25,945	8,117	47,869	1,504	1,217	92,340
Additions	-	3,895	1,743	4,701	147	25	10,511
Disposals and other	-	9	(40)	109	4	(9)	73
Impairment reversal (loss)	406	1,177	(125)	339	19	43	1,859
Depreciation expense	-	(1,545)	(1,318)	(5,023)	(621)	(278)	(8,785)
Translation adjustment	485	693	236	61	10	16	1,501
At October 31, 2014	8,579	30,174	8,613	48,056	1,063	1,014	97,499

At October 31, 2014, included in PP&E is $51 [2013 - $4,059] of buildings, $1,063 [2013 - nil] of machinery, $7,913 [2013 - $10,687] of equipment, and $58 [2013 - nil] of computer hardware that have not yet commenced being depreciated as the assets are under construction and not yet ready for use.

7. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

At November 1, 2012	Patents	Customer relationships	Non-compete agreement	Acquired processes	Computer software	Internally developed technology	Data rights	Total
Cost	9,311	3,325	1,659	2,643	21,110	3,087	-	41,135
Accumulated amortization	(5,051)	(1,871)	(1,523)	(2,304)	(13,356)	(2,430)	-	(26,535)
Carrying value	4,260	1,454	136	339	7,754	657	-	14,600
At October 31, 2013								
Cost	9,568	2,812	1,713	2,663	22,964	3,004	2,350	45,074
Accumulated amortization	(6,132)	(2,181)	(1,713)	(2,643)	(14,673)	(1,316)	-	(28,658)
Carrying value	3,436	631	-	20	8,291	1,688	2,350	16,416
At October 31, 2014								
Cost	10,035	3,040	1,819	2,702	24,671	5,224	5,587	53,078
Accumulated amortization	(6,752)	(2,533)	(1,819)	(2,702)	(15,846)	(1,316)	-	(30,968)
Carrying value	3,283	507	-	-	8,825	3,908	5,587	22,110

Carrying value reconciliation	Patents	Customer relationships	Non-compete agreement	Acquired processes	Computer software	Internally developed technology	Data rights	Total
At November 1, 2012	4,260	1,454	136	339	7,754	657	-	14,600
Additions	215	-	-	-	1,857	1,375	2,350	5,797
Disposals and other	(36)	(204)	-	-	(92)	(385)	-	(717)
Impairment reversal (loss)	(365)	(246)	-	-	(67)	-	-	(678)
Amortization expense	(699)	(424)	(136)	(319)	(1,194)	-	-	(2,772)
Translation adjustment	61	51	-	-	33	41	-	186
At October 31, 2013	3,436	631	-	20	8,291	1,688	2,350	16,416
Additions	165	-	-	-	1,605	2,171	3,378	7,319
Disposals and other	-	-	-	-	-	-	(141)	(141)
Impairment reversal (loss)	267	142	-	-	419	-	-	828
Amortization expense	(649)	(304)	-	(19)	(1,556)	-	-	(2,528)
Translation adjustment	64	38	-	(1)	66	49	-	216
At October 31, 2014	3,283	507	-	-	8,825	3,908	5,587	22,110

Included in intangible assets is computer software of $850 [2013 - $2,205], internally developed technology of $3,908 [2013 - $1,688], and data rights of $5,587 [2013 - $2,350] that have not yet commenced being amortized as they are still under development and not yet ready for use.

8. IMPAIRMENT OF LONG-LIVED ASSETS

At the end of each reporting period, the Company assesses whether there are events or circumstances indicating that an asset may be impaired or that a previously recognized impairment loss should be reversed. Such events or circumstances include material adverse changes which in the long-term impact the economic environment (commercial prospects, procurement sources, index or cost movements, etc.) or the Company's assumptions or objectives (medium-term plan, profitability analyses, market share, backlog, regulations, etc.).

At October 31, 2013, the Company's US CGU, CDU, which is part of the Equipment segment, was assessed as a separate CGU and an impairment loss was recognized for goodwill ($2,288), intangible assets ($678) and PP&E ($520).

In 2014, the US Government completed a final set of regulations that removed certain satellite hardware and related technologies from the restrictive International Traffic in Arms Regulations ("ITAR") US Munitions List and moved these items to the less restrictive Commerce Control List classification, which is administered by the Commerce Department. In light of this change, the Company reassessed its determination of CGUs and concluded that the cash inflows associated with the group of assets in CDU were not largely independent of the cash inflows from the group of assets in the Company's passive microwave hardware CGU, which is part of the Equipment segment. The combined CGU had sufficient forecasted cash flows to support the reversal of previously recognized impairment loss to intangible assets and PP&E. Accordingly, the Company recognized reversal of an impairment loss of $752 for intangible assets and $187 for PP&E.

The Company's UK CGU, which is part of the Equipment segment, has experienced positive income over four of the past five quarters. The value in use of the CDIS-UK CGU was previously depressed due to the lack of profitability that existed at the time the original impairment was recognized. Currently, however, there has been a change in the estimated future cash flows based on the UK CGU's return to profitability and future orders forecast. As a result, the Company performed an impairment test for the UK CGU at October 31, 2014 and recognized an impairment reversal of $773 related to PP&E at October 31, 2014.

The Company's CDIS-Canada CGU, which is part of the Equipment segment, has experienced positive net income over seven of the past eight quarters. The value in use of the CDIS-Canada CGU was previously depressed due to the lack of profitability that existed at the time the original impairment was recognized. Currently, however, there has been a change in the estimated future cash flows based on the CDIS-Canada CGU's return to profitability and future orders forecast. As a result, the Company performed an impairment test for the CDIS-Canada CGU at October 31, 2014 and recognized an impairment reversal of $899 related to PP&E and $76 related to intangible assets.

The reversal of impairment loss is included in "Impairment (reversal) loss" in the Consolidated Statements of Income.

The value in use calculation was used for all of the impairment tests performed by the Company for the years ended October 31, 2013 and October 31, 2014. The significant assumptions applied in the impairment reversal tests are described below:

- The expected future cash flows were calculated based on the medium-term plans established for the next five years and cash flows beyond the five-year period were extrapolated using a growth rate of 1% to 3.25%, which did not exceed the long-term average growth rate of the industry.
- The pre-tax discount rates used reflect the current market assessment of the risks specific to each CGU. Pre-tax discount rates of 10.0% for passive microwave hardware, 15.8% for CDIS-UK and 17.7% for CDIS-Canada were applied to the cash flow projections determined in the testing of recoverable amounts as at October 31, 2014.

9. BANK LOANS, LOANS PAYABLE AND FINANCIAL INSTRUMENTS

a) BANK LOANS

The Company's credit agreement, led by CIBC, includes HSBC, Bank of America, and GE Capital Solutions ("GE Capital"), in a lending consortium. Under this credit agreement, the Company has an operating line of credit availability of $20,000. The Company incurs a standby charge for its availability. The only outstanding drawings against this operating facility at October 31, 2014 are $2,782 in the form of guarantee letters issued to customers and government agencies in the normal course of operations. The interest rate applicable to the operating credit facility available from the lending consortium is the chartered bank prime rate plus 0.75%.

In addition to the operating line of credit, the consortium has made available a non-revolving term facility of up to $40,000 and a treasury facility of up to $5,000 for the purpose of the Company's hedging program. The agreement also envisions the possibility of future tuck-in acquisitions through an additional uncommitted term debt facility of up to $20,000, which would be considered upon request by the Company. During fiscal 2012, the Company made its only draw on the non-revolving term facility in the amount of $17,000, the proceeds of which were used to repay a then existing GE Capital term debt facility in full, and for general working capital purposes. The non-revolving term facility is repayable in quarterly payments of $510 USD up to April 30, 2014 and $850 USD for the following eight quarters. The interest rate applicable to the term loan is the three month LIBOR plus 1.75% (LIBOR plus 2.25% prior to April 4, 2013). Note 9(b)(iii) provides further details regarding this facility.

As at October 31, 2014, the Company was in compliance with its debt covenants.

Interest paid on bank indebtedness during the year was $3 [2013 - $41].

b) LOANS PAYABLE

Loans payable are comprised as follows:

		October 31, 2014		October 31, 2013		November 1, 2012
Government of Canada (i)	$	-	$	-	$	73
Government loan – SODP (ii)		2,371		3,271		4,128
Term debt facility (iii)		12,218		13,854		15,106
Hisdesat loan (iv)		2,767		2,160		1,029
FED DEV (v)		1,970		1,392		-
		19,326		20,677		20,336
Less: current portion of loans payable		(7,677)		(5,787)		(3,978)
Long term loans payable	$	11,649	$	14,890	$	16,358

Principal repayments, excluding amortization of deferred issue costs, accretion expense and foreign exchange impacts are due as follows:

For the fiscal year ending		Total
2015	$	7,560
2016		9,497
2017		776
2018		492
2019 and beyond		206

i) The Government of Canada loan in conjunction with Technology Partnerships Canada ("TPC") was without interest or specific security, with payments due annually until March 2013. The carrying value of the Government of Canada loan was arrived at using a discount rate of 6% on the amounts paid to date. During 2013, installment payments totaling $74 were made, reducing the carrying value, net of the effective interest, to nil as at October 31, 2013.

In addition to the loan, the Company has a product development agreement with TPC that provides partial funding for certain research and development projects. Royalties of 4.9% are to be paid on annual gross product revenues resulting from the project to March 1, 2016, or until $3,263 has been paid in aggregate, whichever comes first. A royalty payment of $74 was made in 2014 [2013 - $72]. It is not possible to determine the timing of the ultimate amount that will be repaid in connection with this arrangement and, accordingly, no amount is accrued.

ii) In 2010, the Company entered into a contribution agreement with the Federal Economic Development Agency for Southern Ontario ("SODP"). The contribution agreement is in the form of a non-interest bearing loan. The repayable contributions are based on the Company's Microsatellite Infrastructure Satellite project costs incurred between November 2009 and June 2010 in amounts not exceeding the lesser of: a) 50% of eligible capital costs and 75% of eligible non-capital project costs and b) $5,218. The SODP loan is unsecured and repayable in 60 equal monthly payments of $87 beginning in April 2012 and continuing until March 2017.

The Company recorded the SODP loan at fair value at inception using a discount rate of 5%. During 2014, the Company made payments of $1,044, reducing the carrying value, net of effective interest, as at October 31, 2014 to $2,371 [2013 - $3,271].

iii) The Company's outstanding drawings against this term loan facility at October 31, 2014 are $11,220 USD [$12,646 CAD]. The outstanding balance net of issue costs at October 31, 2014 is $12,218 [2013 - $13,854]. The interest rate applicable to the term loan is the 3 month LIBOR plus 1.75% (LIBOR plus 2.25% prior to April 4, 2013).

This facility is provided subject to certain covenants, including certain minimum financial ratios. The collateral for this arrangement includes a general security agreement on the PP&E of the Company. The security is subject to certain permitted liens, existing indebtedness, and existing security documents.

The Company has made quarterly payments of principal and interest totalling $3,303 [$2,983 USD] in 2014, [2013 - $2,443 ($2,395 USD)]. Interest paid on the debt facility during the fiscal year amounted to $287 [$263 USD] [2013 - $362 ($355 USD)].

iv) On July 30, 2012, Hisdesat, the minority interest investor in exactEarth™, made available a revolving credit facility of up to $4,590. The outstanding balance net of issue costs at October 31, 2014 is $2,767 [2013 - $2,160]. The facility shall fall due on the anniversary date and may be renewed for successive one year periods at the option of the lender. The Company may make principal repayments at any time and from time to time without notice, bonus or penalty. Interest shall accrue at the rate of 8% per annum, and shall be calculated and accrued monthly, with the monthly payment due on the first day of the next month.

This facility is provided subject to certain covenants. The collateral for this arrangement includes a general security agreement on the PP&E of the Company. The security is subject to certain permitted liens, existing indebtedness, and existing security documents.

The Company has made interest payments totalling $215 in 2014 [2013 - $118] and has not made any principal payments.

v) On November 16, 2012, exactEarth™ signed an interest-free loan agreement with FED DEV. Under this agreement, exactEarth™ is eligible to receive interest-free repayable funding for certain expenditures incurred from May 11, 2011 to March 31, 2014 to a maximum of $2,491. The interest-free loan is repayable in 84 equal consecutive monthly installments beginning April 1, 2015 and continuing until April 1, 2022. Funding requests are provided to FED DEV on a quarterly basis based on actual eligible expenditures incurred.

c) FINANCIAL INSTRUMENTS – RISK MANAGEMENT OBJECTIVES

Fair values

For the Company's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, the fair values approximate their respective carrying amounts due to their short-term maturities. The fair values of foreign currency call and put option contracts have been estimated using market quoted rates of foreign currencies. The SODP loan, included in loans payable, has a carrying value at October 31, 2014 of $2,371 [2013 - $3,271] which approximates the fair value as the loan was recorded at fair value when the cash was received in 2010 and 2011. The prime rate has not changed since September 2010. The fair value of the SODP loan is calculated using discounted cash flows with a discount rate comprised of the Bank of Canada prime rate plus 2% which is indicative of the Company's borrowing rate. The FED DEV loan, included in loans payable, has a carrying value at October 31, 2014 of $1,970 [2013 - $1,392] which approximates the fair value as the loan was recorded at fair value when the cash was received. The fair value of the FED DEV loan was calculated using discounted cash flows with a discount rate of 8% indicative of exactEarth's™ borrowing rate. The fair value of the term debt facility included in loans payable, approximates the carrying value due to its variable interest rate terms policy.

The Company's derivatives, which are not designated in hedging relationships, are classified as held-for-trading and the changes in fair value are recognized on the Consolidated Statements of Income. During the year ended October 31, 2014, the fair value of derivatives classified as held-for-trading decreased by $1,931 [2013 - decreased by $868].

At October 31, 2014, approximately 62% of cash and cash equivalents, 50% of accounts receivables, and 37% of accounts payable and accrued liabilities are denominated in foreign currencies [2013 - 62%, 61%, and 31%, respectively]. These foreign currencies include the U.S. dollar, British pound, and euro.

The Company is exposed to foreign exchange risk on the following cash, accounts receivable, accounts payable, and loans payable denominated in foreign currencies:

Currency		Cash		Accounts receivable		Accounts payable		Loans payable
USD	$	13,789	$	11,271	$	10,441	$	11,220
GBP	£	1,659	£	1,245	£	375	£	-
EUR	€	633	€	2,019	€	871	€	-

For the year ended October 31, 2014, the Company recorded a net realized loss of $786 [2013 – realized gain of $687] and net unrealized loss of $1,931 [2013 – unrealized loss of $868] on foreign currency options that have been included in "Foreign exchange loss (gain)" in the Consolidated Statements of Income. At October 31, 2014 the fair value of derivative instruments of $2,025 is included in “Accounts payable and accrued liabilities” with $1,947 included in “Current” and $78 included in “Non-current” in the Consolidated Statements of Financial Position. At October 31, 2013, the fair value of derivative instruments of $93 was included in "Accounts payable and accrued liabilities" with $91 included in “Current” and $2 included in “Non-current” on the Consolidated Statements of Financial Position. The Company’s derivative instruments include forwards and collar agreements which mature over 14 months.

Fair value hierarchy

The Company categorizes financial assets and liabilities recorded at fair value on the Consolidated Statements of Financial Position based on a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Company’s foreign currency call and put option contracts have been classified as Level 2 within the 3-level, fair value hierarchy. The fair value of the Company’s foreign currency call and put option contracts have been determined by reference to quoted bid or ask prices, as appropriate, in active markets at the period end date.

Foreign currency risk

Transaction exposure

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the Canadian dollar. The majority of the Company’s revenues are transacted in U.S. dollars. Portions of the revenues are denominated in Canadian dollars, British pounds, and euros. Purchases of raw materials, and other expenses, consisting primarily of the majority of salaries, certain operating costs, and manufacturing overhead, are incurred primarily in Canadian dollars. The Company utilizes foreign exchange put options and related call option contracts to hedge the net cash flow risk associated with forecasted transactions in foreign currencies but does not enter into derivatives for speculative purposes. The Company does not designate or measure the effectiveness of the derivative instruments as hedges or specific firm commitments or forecasted transactions and accordingly does not meet the requirements of IAS 39. Management policy is to mitigate between 75% and 100% of the foreign exchange fluctuations on expected U.S. dollar (“USD”) net cash flows.

Translation exposure

The Company's foreign operations are CDE, CDU, CD US Property, CD Consulting, CD India, and Xian. The assets and liabilities of the foreign operations are translated into Canadian dollars using the exchange rates in effect at the dates of the Consolidated Statements of Financial Position. Unrealized translation gains and losses are recognized in the Consolidated Statements of Comprehensive Income.

The majority of the Company's foreign exchange risk resides with U.S. dollar and euro transactions, with minimal impact on transactions in British pounds. To evaluate the sensitivity of net income to a reasonably possible change in the U.S. dollar and euro exchange rates, various exchange rates were entered into models which considered the valuation impact to customer contracts, hedging contracts, U.S. dollar cash balances and U.S. and euro denominated monetary balance sheet items. During 2014, the impact if the U.S. dollar had appreciated in value by 4% [2013 - 4%], used as an indicative range in a volatile currency environment, would have been an increase in net income of $9,119 [2013 - $6,722]. Had the U.S. dollar depreciated by 4% [2013 - 4%], the impact would have been a decrease in net income of $8,999 [2013 - $6,717]. During 2014, the impact had the euro appreciated in value by 6% [2013 - 6%] would have resulted in an increase in net income of $432 [2013 - $420]. Had the euro depreciated by 6% [2013 - 6%], the impact would have been a decrease in net income of $432 [2013 - $420].

Interest rate risk

The Company's risk exposure to market interest rates, in the form of cash flow interest rate risk, relates primarily to the Company's term debt facility with the lending consortium led by CIBC which bears interest at floating interest rates.

The Company's policy is to review its borrowing requirements on a continual basis and to enter into fixed or variable interest rate borrowing arrangements as required.

To evaluate the sensitivity on net income from possible changes in interest rates, the impact of an interest rate change was modeled on the floating rate borrowings while all other variables were held constant. Based on these assumptions, the impact for the year ended October 31, 2014 from a 3 basis point increase in interest rates, as indicative of the change in LIBOR over the past year, would have been a decrease in net income of $4 and an increase in net income of $4 if there had been a 3 basis point decrease. The impact for the year ended October 31, 2013 from a 19 basis point increase in interest rates, as indicative of the change in LIBOR rates in 2013, would have been a decrease in net income of $31 and an increase in net income of $31 if there had been a 19 basis point decrease.

Credit risk

The maximum exposure to credit risk at year end is best represented by the carrying amount of the Company's accounts receivable, unbilled contracts in progress, and derivative financial instruments. The Company is exposed to credit risk from the potential default by counterparties that carry the Company's cash, cash equivalents, and derivative financial instruments, and attempts to mitigate this risk by dealing only with large financial institutions with strong credit ratings. All of the financial institutions within the lending consortium providing the Company's credit facility meet these qualifications.

Credit risk also arises from the inability of customers to discharge their obligations to the Company. The satellite industry is characterized by a small number of prime contractors, which represents most of the Company's customer base. The relatively small number of customers leads to a concentration of the Company's revenues and accounts receivable. COM DEV is increasing its penetration with a number of smaller satellite manufacturers, as well as in satellite market segments outside the traditional commercial communications sector, which helps mitigate the risk associated with having a small number of customers. If one or more customers were to delay, reduce or cancel orders, the overall orders of the Company may fluctuate and could adversely affect the Company's operations and financial condition. The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company manages the collection risk on certain foreign receivables by carrying credit insurance through Export Development Canada ("EDC") which insures 90% of

receivables, primarily those from foreign customers, to protect against commercial and political risk. Trade receivables are non-interest bearing and are generally on 30-60 day payment terms. There are balances past due and the Company has recorded an allowance for doubtful accounts of $317 [2013 - $196] included in "Accounts receivable" in the Consolidated Statements of Financial Position. Two customers comprise 23% of accounts receivable as at October 31, 2014 [2013 - three customers comprise 52%].

The Company has reviewed its outstanding trade receivables and unbilled contracts in progress in detail and has determined that the aging profiles are within historical expectations. The Company's accounts receivable balance as at October 31, 2014 includes $4,507 [2013 - $4,081] in retentions which will not be paid until satisfaction of certain contractual conditions. The accounts receivable balance outstanding greater than 60 days past due at October 31, 2014 is $1,078 [2013 - $810].

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations when they come due. The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial assets (e.g. accounts receivable, other financial assets), liabilities (e.g. payables, loans), and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank facility, term loan facility, finance leases and purchase contracts. The Company's bank facility includes a treasury risk management facility to facilitate hedging of currency-related risks arising in the normal course of operations. The Company's policy is to ensure adequate funding is available from operations, established lending facilities and other sources as required. As at October 31, 2014, the Company has operating credit facilities of $20,000 that have been approved but not drawn upon except for the guarantee letters described in note 9(a).

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual discounted payments:

As at October 31, 2014:

	On Demand	< 3 Months	3 to 12 Months	1 to 5 Years	Total
Loans and Interest Payable	$ 2,767	$ 1,156	$ 3,754	$ 11,800	$ 19,477
Income Taxes Payable	-	74	222	-	296
Accounts Payable and Accrued Liabilities	3,969	18,793	8,730	283	31,775
Total	$ 6,736	$ 20,023	$ 12,706	$ 12,083	$ 51,548

As at October 31, 2013:

	On Demand	< 3 Months	3 to 12 Months	1 to 5 Years	Total
Loans and Interest Payable	$ 2,160	$ 729	$ 2,898	$ 15,271	$ 21,058
Income Taxes Payable	-	1	3	-	4
Accounts Payable and Accrued Liabilities	3,665	16,213	6,464	25	26,367
Total	$ 5,825	$ 16,943	$ 9,365	$ 15,296	$ 47,429

The Company's derivative financial instruments are in a liability position as at October 31, 2014 and are contracted to mature within 14 months. The derivative financial instruments outstanding as at October 31, 2013 were in a liability position and were contracted to mature within 14 months.

10. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are:

- to ensure that it maintains strong credit ratings and exceeds its borrowing covenants in order to support its business and maximize shareholder value, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk undertaken.

The Company monitors capital on a basis consistent with others in the industry based on total debt to shareholders' equity. Capital is defined as shareholders' equity as presented on the Consolidated Statements of Financial Position excluding accumulated other comprehensive income (loss) and total debt is defined as the sum of short-term and long-term debt. The Company uses the percentage of total debt to total capital to monitor the capitalization of the Company. The Company is not subject to any capital requirements imposed by a regulator.

11. SHARE CAPITAL AND EARNINGS PER SHARE

Issued capital

The Company has authorized an unlimited number of preferred shares of which there are none outstanding. The Company has authorized an unlimited number of common shares with no par value. The following details the changes in issued and outstanding common shares for the years ended October 31, 2013 and 2014:

	Number	Dollar value
Balance, November 1, 2012	76,290,147	$ 345,876
Issuance of common shares (i)	87,469	318
Shares issued through ESOP (ii)	104,509	378
Balance, October 31, 2013	76,482,125	$ 346,572
Issuance of common shares (i)	230,119	1,000
Shares issued through ESOP (ii)	65,983	261
Shares repurchased and cancelled (iii)	(291,300)	(733)
Reduction in stated capital (iv)	-	(170,000)
Balance, October 31, 2014	76,486,927	$ 177,100

(i) During the year ended October 31, 2014, the Company issued 230,119 [2013 - 87,469] common shares to satisfy the equivalent number of stock options exercised. The value of the stock options exercised of $1,000 [2013 - $318] includes amounts transferred from contributed surplus of $313 [2013 - $96].

(ii) On February 28, 2014, the Company issued 65,983 [2013 - 104,509] common shares under the Employee Share Ownership Plan ("ESOP"). The value of the shares issued through the ESOP transferred from contributed surplus was $261 [2013 - $378].

(iii) On March 13, 2014, the Company announced its intention to make a normal course issuer bid ("NCIB") during the twelve month period commencing March 21, 2014 and expiring March 20, 2015. During this period, the Company may acquire up to 3,833,156 common shares, or approximately 5% of the Company's issued and outstanding common shares at the time of the announcement. Purchases of the common shares will be made through the TSX facilities, in accordance with its bylaws, rules, and policies. Purchases of common shares may be made through the facilities of alternative trading systems (such as Alpha ATS). Under the current NCIB, the Company will acquire the common shares through open market transactions and will pay the applicable market price for any common shares it acquires. The current NCIB is a successor to a normal course issuer bid announced by the Company on March 13, 2013 that commenced on March 21, 2013 and expired on March 20, 2014. The previous NCIB allowed the Company to acquire up to 3,814,657 common shares, or approximately 5% of the Company's public float at the time of the announcement in 2013. The Company did not purchase any shares under the 2013 NCIB.

During the year ended October 31, 2014, the Company repurchased and cancelled 291,300 common shares with an average book value of $733. The difference between the cost of the shares repurchased and the average book value was $354. This amount is included in contributed surplus.

(iv) At the annual general meeting held on April 23, 2014, the shareholders approved a special resolution to reduce the stated capital of the common shares by $170,000. There is an offsetting increase of $170,000 in contributed surplus.

Stock-based compensation

The Company employs a fair value based method of accounting for all options issued to employees or directors. The Company recognizes compensation cost for all stock options granted to employees and directors under its stock option plan. The option exercise price is the market value of the Company's common shares at the date of the grant. During the year ended October 31, 2014, the Company granted 285,237 [2013 - 273,264] options.

Options granted vest on a graded basis, 1/3 per year over three years, and vested options can be exercised over a five-year period from the date of issue. The maximum number of common shares authorized for grant under the option plan is 3,800,000.

The fair value of options issued was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014	2013
Risk-free interest rate	1.75%	1.34%
Dividend yield	2.87%	nil
Volatility	38.90%	44.20%
Expected life of options (years)	5	5
Weighted average fair value of options granted	$ 1.15	$ 1.47
Weighted average exercise price of options granted	$ 4.18	$ 3.67

In determining the fair value of options, the Company uses historical volatility, calculated using daily stock prices of the Company, for the period that corresponds to the expected life of the options. The estimated fair value of the options is amortized to expense over the vesting period of the options. For the year ended October 31, 2014, compensation expense of $381 [2013 - $387] was recognized. This amount was added to contributed surplus.

A summary of option activity for the year ended October 31 is as follows:

	2014		2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning of year	1,449,534	$ 2.70	1,298,170	$ 2.48
Granted	285,237	4.18	273,264	3.67
Exercised	(230,119)	2.99	(87,469)	2.55
Forfeited	(9,972)	3.32	(34,431)	2.50
Balance, end of year	1,494,680	$ 2.93	1,449,534	$ 2.70

A summary of options outstanding and vested for the year ended October 31, 2014 is as follows:

	Options Outstanding			Options Vested	
Range of exercise prices	Number outstanding	Weighted average remaining life in years	Weighted average exercise price	Number outstanding	Weighted average exercise price
$1.89 - $2.84	936,179	1.80	$ 2.34	819,526	$ 2.31
$2.85 - $3.67	558,501	4.12	3.93	109,306	3.67
$1.89 - $3.67	1,494,680	2.67	$ 2.93	928,832	$ 2.47

The options outstanding at October 31, 2014 had exercise prices ranging from $1.89 to $3.67 with a weighted average exercise price of $2.93 [2013 - $2.70] and a weighted average contractual life of 2.67 [2013 - 2.81] years. All outstanding vested options can be exercised prior to their expiry date any time there is an open trading window.

Employee Share Ownership Plan

The value of the ESOP shares amortized to compensation expense but not yet issued for the year ended October 31, 2014 was $209 [2013 - $203]. This amount is included in contributed surplus. The estimated number of shares, if all outstanding ESOP shares were issued, is 97,164 [2013 - 104,489].

Long term incentive plans

The following details the RSUs, PSUs, and DSUs for the years ended October 31:

	2014			2013		
	RSU	PSU	DSU	RSU	PSU	DSU
Balance, beginning of year	717,525	581,244	-	876,039	835,494	-
Granted	266,956	169,598	161,793	213,196	160,175	-
Settled	(271,452)	(170,590)	-	(338,599)	(246,887)	-
Forfeited	(20,135)	(74,776)	-	(33,111)	(167,538)	-
Balance, end of year	692,894	505,476	161,793	717,525	581,244	-
Aggregate fair value of units granted as at the end of year	$ 5,769	$ 3,749	$ 615	$ 4,685	$ 3,056	$ -
Weighted average fair value of units granted in the year	$ 4.06	$ 4.09	$ 3.80	$ 3.71	$ 3.66	$ -

For the year ended October 31, 2014, compensation expense of $1,679 [2013 - $1,030] was recognized.

For the year ended October 31, 2014, the Company paid $884 for the purchase of 220,000 common shares [2013 - paid $1,870 for the purchase of 523,000 common shares], to be held as treasury stock to be used to settle its LTIP obligations. For the year ended October 31, 2014, the Company issued 276,657 shares of treasury stock with a value of $1,023 [2013 - 367,225 shares of treasury stock with a value of $1,251] to certain employees to settle its LTIP obligations. The remaining treasury stock is being held to satisfy future LTIP obligations. In addition, for the year ended October 31, 2014 the Company paid $684 [2013 - $867] for certain employees to satisfy their RSU and PSU withholding tax obligations and recorded a net tax impact of $479 [2013 - nil].

Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the years ended October 31:

	2014	2013
Numerator for basic and diluted earnings per share available to common shareholders		
Net income attributable to common shareholders	$ 10,050	$ 18,250
Denominator for basic earnings per share - weighted average number of shares outstanding	75,847,271	76,026,343
Effect of dilutive securities		
Employee stock options	286,796	279,509
ESOP	42,540	61,758
Treasury stock	324,688	209,727
Potential dilutive common shares	654,024	550,994
Denominator for diluted earnings per share - adjusted weighted average number of shares and assumed conversions	76,501,295	76,577,337
Basic and diluted earnings per share	$ 0.13	$ 0.24

Dividends

The payment of dividends on the Company's common shares is subject to approval of the Board of Directors and is based upon, among other factors, the financial performance of the Company, its current and anticipated future business needs, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends.

On June 4, 2014, the Board of Directors initiated a quarterly dividend in the amount of $0.03 per share on the Company's issued and outstanding common shares. For the year ended October 31, 2014, dividends of $0.06 per common share were declared and paid to holders of common shares, totaling $4,583.

12. INCOME TAXES

The following are the major components of income tax expense (recovery) for the years ended October 31:

		2014		2013
Current tax expense:				
Current tax expense for the year	$	1,415	$	7,873
Harmonization credit utilization		-		(988)
Minimum tax		794		986
Provision to tax return filing adjustments		258		(4,169)
Other		(5)		27
Current income tax expense	$	2,462	$	3,729
Deferred tax expense:				
Origination and reversal of temporary differences	$	6,075	$	1,413
Harmonization credit utilization		-		988
Provision to tax return filing adjustments		(473)		4,014
Minimum tax		(794)		(986)
Losses not recognized		(238)		(96)
Derecognition of previously recognized losses		2,550		-
Recognition of previously unrecognized losses		(906)		(160)
Other		2		3
Deferred income tax expense	$	6,216	$	5,176
Total income tax expense	$	8,678	$	8,905

The change in the deferred tax asset balance on the Consolidated Statements of Financial Position for the fiscal year ended October 31, 2014 is comprised of the fiscal 2014 deferred income tax expense of $6,216 [2013 - $5,176] less $479 [2013 - nil] of deferred income tax recovery recognized through equity relating to the settlement of RSU and PSU awards, less $217 [2013 - nil] relating to foreign exchange translation differences.

The Company's consolidated effective tax rate for the year ended October 31, 2014 was 48.9% [2013 - 34.2%]. The differences in the effective tax rate compared to the Company's statutory income tax rate were mainly caused by the following:

		2014		2013
Income before income taxes	$	17,746	$	26,059
Statutory tax rate		26.5%		26.5%
Income taxes based on the statutory income tax rate	$	4,703	$	6,906
Adjustment to income taxes resulting from:				
Benefit of previously unrecognized tax assets		(906)		(160)
Derecognition of previously recognized losses		2,550		-
Losses not recognized		2,992		2,829
Permanent differences and other		(3)		32
Prior year adjustments		(215)		(155)
Difference between statutory rate and individual entity rates	$	(443)	$	(547)
Income tax expense	$	8,678	$	8,905

The Canadian statutory tax rate during fiscal 2014 was 26.5%, unchanged from fiscal 2013.

Components of deferred tax movement are as follows for the years ended October 31:

	2014	2013
Billings in excess of costs and earnings on contracts in progress	$ -	$ 9,331
Deductible temporary differences	801	(321)
Property, plant and equipment and intangible assets	(1,676)	(862)
Minimum tax and harmonization credit	347	(982)
SR&ED pool	(5,306)	(11,536)
Non-capital losses	(4)	954
SR&ED ITCs	251	(1,833)
Other	67	73
Total change in deferred tax assets	$ (5,520)	$ (5,176)

The deferred income tax asset recognized in the Consolidated Statements of Financial Position is comprised of:

	October 31, 2014	October 31, 2013	November 1, 2012
Billings in excess of costs and earnings on contracts in progress	$ -	$ -	$ (9,331)
Deductible temporary differences	1,160	359	680
Property, plant and equipment and intangible assets	(7,987)	(6,311)	(5,449)
Minimum tax and harmonization credit	1,936	1,589	2,571
SR&ED pool	6,699	12,005	23,541
Non-capital losses	6,369	6,373	5,419
SR&ED ITCs	(4,150)	(4,401)	(2,568)
Other	5	(62)	(135)
Deferred income tax asset	$ 4,032	$ 9,552	$ 14,728

For the purposes of the above table, deferred income tax assets are shown net of deferred income tax liabilities where these occur in the same entity and jurisdiction.

Included in the deferred income tax asset as at October 31, 2014 are US losses available for carryforward of $698. These tax benefits have been recognized on losses incurred in either the current or the preceding years and are supported by tax planning opportunities that are available to the Company in the US.

Included in the deferred income tax asset as at October 31, 2014 are UK losses available for carryforward of $1,030. These tax benefits have been recognized on losses incurred in the preceding years and were determined based on the Company's projections of future taxable profits in the UK.

Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	October 31, 2014	October 31, 2013
Canadian deductible temporary differences	$ 3,007	$ 2,581
Canadian non-capital tax losses	20,084	18,149
Canadian capital losses	6,287	7,081
US deductible temporary differences	17,155	15,724
US non-capital losses - federal	32,164	15,231
US non-capital losses - state	21,702	5,178
UK deductible temporary differences	208	157
UK non-capital losses	27,025	28,396

These unused tax losses expire from 2020 through 2034 except for Canadian capital losses and UK non-capital losses which have an unlimited carryforward period.

13. COMMITMENTS AND CONTINGENCIES

Tax audits

During a prior fiscal year, the Company received an assessment from the Canada Revenue Agency ("CRA") related to withholding taxes on payments made to a certain vendor from 2006 to 2010. Based on the assessment, the Company recognized a withholding tax provision of $829 and interest and penalties of $371 during fiscal 2012. During fiscal 2013, the Company received additional information that the withholding taxes would be recoverable and accordingly, the Company recorded a recovery of $829 relating to the withholding taxes, net of additional interest and penalties of $63, which was recorded in "Other expenses" in the Consolidated Statements of Income. The Company has a contractual right to recover the amount of withholding taxes under its contract with the vendor. During fiscal 2014, the CRA confirmed their position that the Company owes the withholding tax and the Company recorded a liability for the amount owing and a receivable from the vendor. The Company has previously provided the CRA with a letter of credit as security for any tax liability arising from this assessment.

During a prior fiscal year, the CRA and the Ontario Ministry of Finance completed tax audits which resulted in reassessed capital taxes and corporate minimum taxes, which the Company appealed. During the second quarter of 2013, the Company agreed to a settlement with the tax authorities and also agreed to refile tax returns for the periods 2006 to 2012. The net result of the settlement was a refund of a portion of the assessed taxes which the Company had previously paid, as required by the objection process. The final reassessments were received in October 2014 which resulted in the Company recording interest income of $339, which is included in "Interest expense", and a capital tax recovery of $154, which is included in "General expenses" in the Consolidated Statements of Income for the fiscal year ended October 31, 2014. As at October 31, 2014, the $429 relating to this matter is included in "Income taxes recoverable" in the Consolidated Statements of Financial Position.

Lease commitments

The Company is committed to various operating leases, primarily related to buildings and computers. Future minimum lease payments under the operating leases for the following fiscal years are approximately as follows:

Years ending October 31,	Future minimum lease payments
2015	$ 1,197
2016	787
2017	477
2018	405
2019	34

Capital commitments

As at October 31, 2014, capital commitments in respect of the purchase of PP&E and intangible assets total $9,417, all of which had been ordered. There were no other material capital commitments outstanding at October 31, 2014.

Claims or legal actions

The Company is subject to laws and regulations concerning the environment and to the risk of environmental exposures inherent in the location of its facilities and its activities relating to past and present operations. In the normal course of business, the Company is involved on an ongoing basis in various legal actions with customers, suppliers and former employees, the outcome of which is indeterminable. In management's opinion, the resolution of such actions will not have a material adverse effect on the financial position of the Company.

14. OTHER EXPENSE (INCOME)

	2014	2013
(Gain) loss on disposal of assets	(124)	588
Withholding tax recovery (note 13)	-	(766)
Fed Dev operating grant (note 5)	(79)	(407)
Adjustment of ITC due to discounting (note 5)	199	398
Other	471	116
Total other expense (income)	$ 467	$ (71)

Other expense in the table above is comprised of bank fees, discounts, EDC premiums and other miscellaneous expenses.

15. SEGMENT AND GEOGRAPHIC INFORMATION

The Company has two reportable business segments, the Equipment segment and the Data Services segment. Each reportable segment offers different products and services and requires different technology and marketing.

The Equipment segment is a leading global designer and manufacturer of space hardware subsystems. With facilities in Canada, the United Kingdom and the United States, the Equipment segment designs and manufactures advanced products and subsystems that are sold to the major satellite prime contractors for use in communications, space science, remote sensing and military markets.

The Data Services segment is actively commercializing a new maritime tracking service known as Satellite Automatic Identification System, or S-AIS. The Data Services segment offers data services to customers worldwide.

Management assesses segment performance based on income before financing expense and income taxes.

Segment reporting is based on the two business segments, the Equipment segment and the Data Services segment with intra-segment transactions and balances eliminated. The Company accounts for intra-segment transactions at current market rates, negotiated between segments.

Geographic information

Revenue by customer is based on where the customer is located.

For the years ended October 31:

	2014	2013
Revenue		
Canada	$ 47,746	$ 47,994
United States	125,679	121,469
Europe	21,842	28,478
Other	12,934	17,508
	$ 208,201	$ 215,449

Two Equipment segment customers comprise 46% of revenue for the year ended October 31, 2014 [2013 - three Equipment segment customers comprised 58%]. The amount of revenue recognized in the Equipment segment and accounted for other than by the percentage-of-completion method during the year ended October 31, 2014 was $8,427 [2013 - $8,980].

PP&E are attributed to the country in which they are located and intangible assets in the country they relate to:

	October 31, 2014	October 31, 2013
Property, Plant, & Equipment		
Canada	$ 75,950	$ 73,576
USA	16,869	15,964
Europe	4,680	2,800
	$ 97,499	$ 92,340
Intangible Assets		
Canada	$ 18,644	$ 13,419
USA	2,339	2,149
Europe	1,127	848
	$ 22,110	$ 16,416

Segment information for the year ended October 31, 2014:

	Equipment segment	Data Services segment	Intra-segment eliminations	Total
External revenue	$ 192,229	$ 15,972	$ -	$ 208,201
Intra-segment revenue	721	909	(1,630)	-
Amortization	7,226	4,737	(650)	11,313
Income tax expense	8,678	-	-	8,678
Net income (loss) attributable to shareholders	12,114	(2,552)	488	10,050
Total assets	223,554	62,793	(11,120)	275,227
Property, plant and equipment and intangible asset additions	11,523	6,309	(2)	17,830

Segment Information for the year ended October 31, 2013:

	Equipment segment	Data Services segment	Intra-segment eliminations	Total
External revenue	$ 203,486	$ 11,963	$ -	$ 215,449
Intra-segment revenue	1,828	572	(2,400)	-
Amortization	7,133	4,151	(625)	10,659
Income tax expense	8,905	-	-	8,905
Net income (loss) attributable to shareholders	20,690	(2,935)	495	18,250
Total assets	220,911	58,551	(11,559)	267,903
Property, plant and equipment and intangible asset additions	12,405	7,494	(2)	19,897

16. EMPLOYEE FUTURE BENEFIT PLANS

The Company provides post-retirement benefits for certain of its employees through a defined contribution plan, defined benefit pension plan and a defined benefit non-pension plan (the “medical plan”).

During the second and third quarter of fiscal 2014, the Company terminated certain employees belonging to the defined benefit pension plan and the medical plan. These terminations resulted in a curtailment loss of $411 for the defined benefit plan. The curtailment loss was attributed to the subsidized early retirement benefits being in excess of the reduced liabilities attributable to future compensation increases for the terminated employees. For the medical plan, these terminations resulted in a curtailment gain of $287. The curtailment gain was attributed to the forfeited medical benefits by terminated employees being in excess of the increased liabilities associated with the extended period of coverage. The remeasurements of the defined benefit obligation for the defined benefit plan and the medical plan occurred at the time the terminations occurred using discount rates ranging between 4.16% to 4.27% and 2.56% to 2.68%, respectively.

a) Defined contribution pension plan

The Company has a defined contribution pension plan for certain of its employees. During the year ended October 31, 2014, the Company’s contributions, which are based on the contributions by employees, were $3,923 [2013 - $3,795], of which

$3,415 [2013 - $3,325] is included in "Cost of revenue" and $508 [2013 - $470] is included in "General expenses" in the Consolidated Statements of Income.

b) Reconciliation of the net defined benefit liability

The reconciliation of the net defined benefit liability for the Company's defined benefit pension plan and the medical plan for the years ended October 31, 2013 and 2014 is as follows:

	Defined benefit pension plan			Medical plan	Total
	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability	Net defined benefit liability	Net defined benefit liability
At November 1, 2012	$ 15,101	$ (10,460)	$ 4,641	$ 873	$ 5,514
Included in income:					
Current service costs	$ 479	$ -	$ 479	$ 26	$ 505
Administrative expenses	-	165	165	-	165
Interest expense (income)	555	(390)	165	22	187
	$ 1,034	$ (225)	$ 809	$ 48	$ 857
Included in other comprehensive income (loss):					
Actuarial loss (gain) arising from:					
Changes in financial assumptions	$ (1,838)	$ -	$ (1,838)	$ (41)	$ (1,879)
Experience losses (gains)	269	(84)	185	(129)	56
Return on plan assets	-	(276)	(276)	-	(276)
	$ (1,569)	$ (360)	$ (1,929)	$ (170)	$ (2,099)
Other:					
Employer contributions	$ -	$ (704)	$ (704)	$ -	$ (704)
Plan participant contributions	40	(40)	-	-	-
Benefit payments	(853)	853	-	-	-
Foreign exchange	634	(434)	200	35	235
	$ (179)	$ (325)	$ (504)	$ 35	$ (469)
At October 31, 2013	$ 14,387	$ (11,370)	$ 3,017	$ 786	$ 3,803

	Defined benefit pension plan			Medical plan	Total
	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability	Net defined benefit liability	Net defined benefit liability
Included in income:					
Current service costs	$ 305	$ -	$ 305	$ 20	$ 325
Administrative expenses	-	197	197	-	197
Past service costs - curtailment	411	-	411	(287)	124
Interest expense (income)	692	(564)	128	26	154
	$ 1,408	$ (367)	$ 1,041	$ (241)	$ 800
Included in other comprehensive income (loss):					
Actuarial loss (gain) arising from:					
Changes in financial assumptions	$ 1,158	$ -	$ 1,158	$ 17	$ 1,175
Changes in demographic assumptions	1,456	-	1,456	(1)	1,455
Experience gains (losses)	(8)	-	(8)	20	12
Return on plan assets	-	(580)	(580)	-	(580)
	$ 2,606	$ (580)	$ 2,026	$ 36	$ 2,062
Other:					
Employer contributions	$ -	$ (744)	$ (744)	$ (34)	$ (778)
Plan participant contributions	31	(31)	-	-	-
Benefit payments	(1,222)	1,222	-	-	-
Foreign exchange	1,163	(897)	266	54	320
	$ (28)	$ (450)	$ (478)	$ 20	$ (458)
At October 31, 2014	$ 18,373	$ (12,767)	$ 5,606	$ 601	$ 6,207

c) CDU defined benefit pension plan

The Company's US subsidiary, CDU, has a defined benefit pension plan that covers certain eligible employees. The Company has obtained an actuarial valuation for the defined benefit pension plan as of January 1, 2014. The October 31, 2014 valuation report has been rolled forward from the January 1, 2014 actuarial valuation for financial reporting purposes. The defined benefit pension plan provides pension benefits based on various factors including earnings and length of service.

The defined benefit pension plan is managed by the CDU pension committee which is responsible for overseeing the investment portfolio and the overall administration of the plan, including the plan's compliance with the Employee Retirement Income Security Act of 1974, as amended.

The defined benefit pension plan is a US tax-qualified defined benefit plan and accordingly, the plan is subject to minimum funding requirements and maximum tax deductible contribution limits. The Company's minimum contributions to the defined benefit pension plan are based on the actuarial valuation and are determined annually. The minimum requirement is designed to ensure that plan assets are sufficient to satisfy the plan's obligations. Due to adverse market conditions, plan sponsors have been granted funding relief that has decreased short-term funding requirements. After reflecting the most recent funding relief, the plan had a $744,000 funding requirement for the 2014 plan year. The maximum deductible limit is

designed to allow plan sponsors to accumulate assets in excess of current obligations. However, as a tax-qualified plan, a reversion of surplus assets in the event the plan is terminated is subject to income tax and a significant excise tax.

Significant actuarial assumptions - defined benefit pension plan

The significant actuarial assumptions for the defined benefit pension plan include:

	2014	2013
Discount rate	4.0%	4.6%
Rate of compensation increase	3.0%	3.0%
Pension growth rate	2.2%	2.5%

Sensitivity analysis - defined benefit pension plan

The sensitivity analysis presented below is based on changing one assumption while holding all others constant. In practice, this is unlikely to occur and changes in certain assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the Consolidated Statements of Financial Position. The sensitivity of the defined benefit obligation at October 31, 2014 to changes in assumptions is set out below:

		Increase (decrease) in defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(11.90%)	15.00%
Rate of compensation increase	1.00%	0.20%	(0.50%)
Pension growth rate	1.00%	6.10%	(5.10%)

	Increase by 1-year in assumption	Decrease by 1-year in assumption
Life expectancy	3.23%	(3.23%)

Composition of plan assets – defined benefit pension plan

Plan assets as at October 31 are comprised of the following:

Asset Class	2014	2013
Cash and cash equivalents	2.0%	6.9%
US Treasury bonds	4.2%	11.0%
Short term municipal bonds	1.3%	1.2%
Corporate bonds	7.1%	8.4%
Common stock		
Energy	1.5%	1.9%
Finance and insurance	2.6%	2.4%
Health and pharmaceuticals	3.2%	2.0%
Manufacturing	2.5%	1.9%
Media and telecommunications	1.8%	1.1%
Retail	0.9%	1.6%
Technology	2.8%	2.3%
Mutual funds	12.0%	19.9%
Unit investment trusts		
US	45.2%	27.3%
Multinational	12.9%	12.1%
	100.0%	100.0%

The fair value of plan assets is determined based on quoted prices in active markets.

d) CDU defined benefit medical plan

The Company provides non-pension retirement benefits, including medical and vision benefits for eligible retirees, their spouses and qualified dependents for its US subsidiary, CDU. The defined benefit medical plan is unfunded.

Significant actuarial assumptions - medical plan

The significant actuarial assumptions for the medical plan include:

	2014	2013
Discount rate	2.6%	3.2%
Healthcare cost increase	6.2%	6.1%

Sensitivity analysis – defined benefit medical plan

The sensitivity analysis presented below is based on changing one assumption while holding all others constant. The sensitivity of the medical plan's defined benefit obligation at October 31, 2014 to changes in assumptions is set out below:

		Increase (decrease) in defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(4.60%)	4.90%
Healthcare cost increase	1.00%	4.60%	(4.40%)

e) Contributions and maturity profile of benefits

The following details the contributions and payments which the Company expects to make relating to the defined benefit pension plan and the medical plan:

	Defined benefit pension plan	Medical plan	Total
Expected employer contributions for fiscal year ending October 31, 2015	$ 818	$ 55	$ 873

The weighted average duration of the defined benefit obligation as of October 31, 2014 is 13.0 years [2013 - 12.9 years].

Expected maturity analysis of undiscounted pension and medical benefits:

	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Pension benefits	$ 1,274	$ 1,114	$ 2,724	$ 26,173
Medical benefits	54	55	185	280
At October 31, 2014	$ 1,328	$ 1,169	$ 2,909	$ 26,453
Pension benefits	$ 810	$ 782	$ 1,567	$ 26,037
Medical benefits	22	37	172	711
At October 31, 2013	$ 832	$ 819	$ 1,739	$ 26,748

f) Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The defined benefit pension plan liabilities are calculated using a discount rate set in reference to high-quality long-term bond rates. Plan assets underperforming this yield will create a deficit. The fair value of the defined benefit plan assets are subject to changes in price that may not be offset by changes in the value of plan liabilities. Certain plan assets are invested in foreign investments which are exposed to foreign exchange risk.

As the portion of the defined benefit obligation attributable to retired participants increases, the portion of funds invested in fixed income securities will increase to match the related obligations.

Interest rate risk

A decrease in long-term bond yields will increase plan liabilities, which may only be partially offset by an increase in the value of the defined benefit pension plan's bond holdings.

Inflation risk

A significant portion of the defined benefit pension plan's obligations are linked to inflation. The risk is mitigated by a cap on recognized inflation and the short duration of inflation protection provided by the plan.

The defined benefit medical plan is obliged to pay for coverage linked to the cost of medical services. The coverage subject to inflation risk spans a relatively short duration, limiting the risk exposure.

Life expectancy risk

The defined benefit pension plan obligations provide for lifetime income. Plan participants can elect to receive a fixed duration payment option that partially mitigates the defined benefit pension plan's life expectancy risk.

For participants that have not yet retired, the conversion of the lifetime income to the fixed duration payment option may be more costly to the Company if the value of the lifetime income option increases due to assumed increases in life expectancy.

The defined benefit medical plan provides coverage that terminates at age 65.

Early retirement risk

Both the defined benefit pension and medical plans have heavily subsidized early retirement provisions. Liabilities are calculated assuming an incidence of retirement in line with past experience. If plan participants retire earlier than expected, the early retirement subsidies could increase plan liabilities.

17. RELATED PARTIES

Compensation of key management personnel

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including members of the Board of Directors, executive officers, corporate vice presidents and division presidents. The compensation expense for key management personnel is as follows:

	2014	2013
Short-term benefits	$ 3,553	$ 4,651
Post-employment benefits	140	131
Share-based payments	1,432	792
Total compensation	$ 5,125	$ 5,574

Short-term benefits include expenses for base salaries, bonuses and other short-term benefit expenses. Post-employment benefits include the Company's defined contribution pension plan and pension adjustment for the defined benefit plan. Share-based payments include amounts expensed under the LTIP.

Related party

Hisdesat, the minority interest investor in exactEarth™, is a related party. Hisdesat made available a revolving credit facility to exactEarth™ which is described in note 9 (b) (v).

18. RESEARCH AND DEVELOPMENT

The components of net research and development expenses (income) consist of the following for the years ended October 31:

	2014	2013
Research and development costs	$ 9,222	$ 9,939
Research and development recovery	(893)	(2,098)
Investment tax credits recoverable	(5,109)	(11,722)
Net research and development expenses (income)	$ 3,220	$ (3,881)

19. PROVISIONS FOR LOSS PROJECTS AND OTHER

At October 31, 2014, the Company has recorded a provision of $417 [2013 - $1,215] for expected losses on construction contracts in progress and other. The majority of the cash flows are expected to be complete within the next year.

Balance, October 31, 2013	$	1,215
Foreign exchange adjustment		85
Provision additions		119
Provision usage		(1,002)
Balance, October 31, 2014	$	417

20. CHANGE IN ACCOUNTING POLICY

The Company's annual and Condensed Consolidated Interim Financial Statements issued in prior periods have been amended as a result of a change in accounting policy for the initial application of IAS 19R.

IAS 19R was adopted with retrospective application as required by the transitional provisions. The net interest approach for the net defined benefit liability (asset) replaces the expected return on plan assets and interest costs on the defined benefit obligation with a single net interest component calculated by multiplying the net defined benefit liability (asset) by the discount rate used to determine the defined benefit obligation. Unvested past service costs are no longer deferred and recognized over future vesting periods; all past service costs are recognized at the earlier of when the amendment occurs and when the Company recognizes related restructuring or termination costs.

The Consolidated Statements of Financial Position have been amended to reflect these accounting changes as follows:

As at November 1, 2012	Notes		Previously Reported		Effect of Accounting Changes		Amended
Employee future benefits	(i)	$	3,719	$	1,795	$	5,514
Accumulated other comprehensive income (loss)	(ii)		(88)		(1,610)		(1,698)
Deficit			(181,324)		(185)		(181,509)

As at October 31, 2013	Notes		Previously Reported		Effect of Accounting Changes		Amended
Employee future benefits	(i)	$	3,719	$	84	$	3,803
Accumulated other comprehensive income (loss)	(ii)		1,562		422		1,984
Deficit			(162,753)		(506)		(163,259)

The Consolidated Statements of Income and Consolidated Statements of Comprehensive Income have been amended as follows:

For the year ended October 31, 2013	Notes	Previously Reported	Effect of Accounting Changes	Reclassification	Amended
Cost of revenue	(iii)	$ 157,708	$ 321	$ (590)	$ 157,439
Other comprehensive income - actuarial gains	(iv)	-	2,099	-	2,099
Other comprehensive income – foreign currency translation	(iv)	1,647	(67)	-	1,580

(i) Amendment due to retrospective application of IAS 19R includes an increase in "Employee future benefits" of $1,795 and $84 as at November 1, 2012 and October 31, 2013, respectively.

(ii) Amendment due to retrospective application of IAS 19R includes an increase (decrease) in "Accumulated other comprehensive income (loss) of ($1,610) and $422 as at November 1, 2012 and October 31, 2013, respectively.

(iii) Amendment of "Cost of revenue" for the year ended October 31, 2013 of $321 relates to the increase in the employee benefits expense due to the retrospective application of IAS 19R and is comprised of the recognition of $250 for the defined benefit pension plan expense and $71 for the retiree medical plan expense. The reclassification of $590 relates to the loss on disposal of assets which have been reclassified to other expenses (note 14) in the Consolidated Statements of Income.

(iv) Amendment of "Other comprehensive income - actuarial gain" for the year ended October 31, 2013 of $2,099 relates to the retrospective application of IAS 19R and is comprised of the recognition of the unrecognized net actuarial gain in the defined benefit pension plan of $1,927 and the unrecognized net actuarial gain in the non-pension retirement benefits plan of $172. In addition, there was an amendment of "Other comprehensive income - foreign currency translation" for the year ended October 31, 2013 of $67 related to the retrospective application of IAS 19R.

21. SUBSEQUENT EVENTS

Business acquisition

On December 31, 2014, the Company acquired 100 percent of the outstanding shares of MESL Holdings Limited and MESL Microwave Limited (collectively "MESL"). MESL is based in Edinburgh, Scotland, and specializes in the global microwave technology market, including the design and manufacture of high-reliability components and subsystems for the radar, communications, defence and aerospace industries. The primary reason for the acquisition is to provide the Company with greater access to the aerospace market with microwave component products that are complementary to the Company's product offering in the space market.

The estimated purchase price for MESL is £12.8 million ($23.0 million Canadian) and is subject to final working capital adjustments. This purchase will be financed by a combination of cash on hand and additional borrowings under the Company's credit facility.

The initial accounting for the business combination was incomplete at the time these Consolidated Financial Statements were authorized for issue; therefore, certain disclosures cannot be determined at this time. This includes amounts to be recognized as of the acquisition date for the fair value of the assets acquired and liabilities assumed including any intangible assets that may arise from the transaction. The Company expects the preliminary purchase price allocation will include working capital, property, plant and equipment and certain intangible assets, including goodwill.

Restructuring

As a result of the continued losses at the Company's US operations due to the effect of the ongoing spending reductions in the US government market, combined with the recent changes in the ITAR regulations as disclosed in note 8, management decided to scale down the US operations and initiated a restructuring plan subsequent to year end in order to optimize the facilities in Cambridge, Ontario. The estimated cost of the restructuring plan is expected to be $5.0 million.

22. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year consolidated financial statements.

CORPORATE INFORMATION

DIRECTORS

Terry Reidel
Chairman
COM DEV International Ltd.

Kym Anthony
Executive Chair
Hybrid Partners Ltd.
Chair
Avivagen Inc.

Christopher O'Donovan
Lecturer in Physics
University of Waterloo

James Adamson
President and Chief Executive Officer
Monarch Precision, LLC

David Masotti
Director
Defyrus Inc.

Roberta Bondar
President
The Roberta Bondar Foundation

Wayne Fox
President
W.C. Fox Investments

Gregory Monahan
Senior Managing Director
Crescendo Partners, L.P.

David Sgro
Senior Managing Director
Crescendo Partners, L.P.

Colin Watson
Corporate Director

Michael Pley
Chief Executive Officer
COM DEV International Ltd.

OFFICERS

Michael Pley
Chief Executive Officer

Gary Calhoun
Chief Financial Officer

CORPORATE LOCATIONS

Cambridge, Canada
Ottawa, Canada
Aylesbury, U.K.
Edinburgh, Scotland
El Segundo, California, U.S.A.
Xián, China
Bangalore, India

HEAD OFFICE

COM DEV International Ltd.
155 Sheldon Drive
Cambridge, Ontario
Canada N1R 7H6

Tel: 519-622-2300
Fax: 519-622-1691

EXCHANGE LISTING

Toronto Stock Exchange
Stock Symbol: CDV

INVESTOR RELATIONS

Gary Calhoun
Tel: 519-622-2300, Ext. 2826
Fax: 519-622-2158
gary.calhoun@comdev.ca

Craig MacPhail
TMX Equicom
Tel: 416-815-0700 Ext. 290
Fax: 416-815-0080
cmacphail@tmxequicom.com

YEAR END

October 31

AUDITORS

Ernst & Young LLP
Kitchener, Ontario, Canada

LEGAL COUNSEL

Gardiner Roberts LLP
Toronto, Ontario, Canada

TRANSFER AGENT

Computershare Investor Services Inc.
Toronto, Ontario, Canada

www.comdevintl.com

Design and production by TMX Equicom

COM DEV International Ltd.
155 Sheldon Drive
Cambridge, Ontario
Canada N1R 7H6

Tel: 519-622-2300
Fax: 519-622-1691

www.comdevintl.com