Management's Discussion and Analysis

and

Audited Annual Consolidated Financial Statements of

VECIMA NETWORKS INC.

For the years ended June 30, 2020 and 2019

Dear Fellow Shareholders,

Fiscal 2020 has been an extraordinary year. Around the world, businesses, communities and families have been grappling with the effects of a once-in-a-lifetime global pandemic. It's during times like these we realize what is truly important to us.

At Vecima, our first priority was, and continues to be, protecting the health and safety of our employees. In the first few weeks of the Covid-19 pandemic, we took steps to allow most of our employees to work remotely and implemented strict practices and protocols for the small group of employees who were required on site. I want to thank our employees for continuing to execute amidst these changes, and for helping Vecima fulfill our important role in the essential telecommunications industry, connecting together the lives of millions worldwide.

On behalf of the entire Vecima family, I would also like to thank the health professionals, first responders and all the front-line workers everywhere who are providing the essential services to keep our lights on, our food and supplies stocked and our people healthy. We appreciate their selfless dedication in persevering through these uncertain times.

As I reflect upon the many impacts of the pandemic, I am grateful and humbled by how our industry has responded to this global crisis. In the worldwide surge for data to keep business and residential customers operational, our content provider and service provider customers have stepped up in unparalleled ways to provide content and connectivity to their millions of subscribers. Vecima's technologies and solutions have been instrumental in enabling them to do so, and I am deeply proud that our decades of innovation, reliability and customer partnership are making a difference in these challenging times.

A Year of Major Milestones

Financially, fiscal 2020 was a pivotal year for Vecima as we began to realize the benefit of our investments into next generation technologies.

Revenues of $96.4 million were our best in four years, led by outstanding growth performance from our Content Delivery and Storage segment and early-stage market deployment of our next generation Entra distributed access architecture (DAA) products. This was profitable growth. Gross profit climbed 17% to $52.3 million year-over-year, adjusted EBITDA increased to $18.3 million, a gain of 123%, and we increased adjusted earnings per share to $0.06 from a loss of $0.09 in fiscal 2019.

We also ended the year in a strong financial position with no debt and a solid cash balance of $34.5 million – a significant achievement given the heavy investment in next generation technologies we've made in recent years. Importantly, we continued to generate value for our shareholders. Our share price improved from $9.00 to $10.45 over the course of the fiscal year, and as of September 14, 2020 had reached $12.50. And we returned another $29.9 million to shareholders through our quarterly dividends in fiscal 2020.

Video and Broadband Solutions

In our Video and Broadband Solutions segment, we realized our critical objective of commercially launching our Entra family of DAA products, a milestone we have been working toward for seven years.

We came into fiscal 2020 having secured our first master purchase agreement for our new Entra Remote PHY Access Node and Remote PHY Monitor. During the first quarter, we launched our Entra Interactive Video Controller and double density Remote PHY node and received our first customer order for our new Entra Video QAM Manager (VQM). We broke the million-dollar milestone in the second quarter with Entra sales of $1.1 million as cable operators began purchasing our new DAA platforms and products. And by the fourth quarter, we had secured our first major Tier 1 DAA customer, initiated product deployments of our industry-leading, multi-core interoperable Entra Remote PHY nodes, and grown our quarterly Entra revenues to $2.1 million. In total, we achieved Entra family sales of $5.3 million in fiscal 2020, a material result and just the very beginning of the DAA potential we anticipate.

Subsequent to the year-end on August 10, we further enhanced our DAA market position with the acquisition of Nokia's portfolio of cable access business. This transaction immediately expanded our portfolio of market-ready products and technologies, including fiber-to-the-home (FTTH) capabilities with 10G EPON and DOCSIS DAA with Remote MACPHY solutions, two critical pieces of the cable DAA ecosystem. The acquisition also brought us a talented group of R&D and product development employees across four offices in the United States and China.

By consolidating the industry's leading DAA products, technologies and teams, Vecima has now emerged as the prime holder of DAA technology in the industry, providing our customers with unmatched choice to select the access architecture that is right for them, and expanding our addressable market by approximately three times. Quite simply, this is a game-changer that dramatically accelerates Vecima's momentum in the vast new DAA market.

In other parts of our Video and Broadband Solutions segment, fiscal 2020 brought robust demand for our TerraceQAM commercial video products. Sales of TerraceQAM nearly doubled to $11.7 million year-over-year as our lead customer broadened its extensive hospitality services platform, while preparing for migration to the next generation Terrace IQ platform and the move to IPTV.

Content Delivery and Storage

Fiscal 2020 was a break-out year for our Content Delivery and Storage segment. From the outset, we anticipated over 20% revenue growth based on the strong demand for our MediaScaleX solutions and expansion in the IPTV market. We greatly exceeded this target with 32% year-over-year sales growth culminating in record segment sales of $55.2 million.

This impressive growth was driven by the addition of 13 new IPTV customers in fiscal 2020, as well as by an expansion of our business with existing customers as we continued to grow market share. Additionally, we increased our CDS service revenues both in actual dollars and as a percentage of our segment revenues. This reflects both the large number of new deployments in 2020 as well as the high-value recurring services offered by our team. As we continue to grow the CDS segment, we expect services will play an increasingly important role in generating high-margin, stable revenues for this part of our business.

Our CDS segment also made major inroads internationally in fiscal 2020, securing deployment agreements for MediaScaleX with customers in the Latin America and Caribbean regions and increasing international revenues by 37% year-over-year. The record-high percentage of total segment revenue now coming from outside North America showcases our increasing geographic diversification and highlights our emerging strength in the CALA region and beyond.

Subsequent to the year-end, we announced another major international agreement, worth approximately $12 million, with a long-time Tier 1 customer in the Asia Pacific region. The agreement involves delivering IP video to our customer's over five million subscribers as we continue to demonstrate Vecima's position as a global leader in video delivery and storage.

Telematics

Our Telematics segment continued to progress steadily into the moveable assets tracking market in fiscal 2020 after launching this business in the previous year. We secured 21 new restoration industry customers and by year-end we were monitoring over 6,000 assets with Vecima's Bluetooth Low Energy (BLE) tags.

In our fleet management business, we achieved a second municipal city fleet management win with the City of Saskatoon, complementing our City of Victoria win the previous year. The new Saskatoon municipal contract encompasses a fleet management solution covering 1,000 municipal vehicles and municipal assets.

Looking Forward

Fiscal 2020 clearly demonstrated the power and importance of a digitally-connected world. It is the lifeline of businesses and communities and an essential service needed by millions. With social distancing and travel bans in place, the world is reimagining business and finding new ways to conduct it safely, from virtual marketing initiatives and meetings, to work-from-home measures.

Vecima plays a critical role in this evolution.

As our broadband cable customers begin their transition to DAA, and operators worldwide continue to adopt IPTV, we are supporting them with what I believe is the world's most advanced and comprehensive portfolio of next-generation DAA and IPTV solutions. We expect this to translate into meaningful growth for our Entra family of products in the year ahead, while we also consolidate and continue to build on the gains achieved for our MediaScaleX solutions in fiscal 2020.

Overall, we anticipate the year ahead will be a consequential one for Vecima as our multi-year investment, development and strategic acquisition strategy continues to bear fruit.

In closing, I want to offer a sincere thank you to all our Vecima employees for their work in bringing in a phenomenal year during a time of unprecedented global upheaval. I am honoured by their dedication to our success. On behalf of the Board of Directors, I also want to thank you, our shareholders, for your continued support. We are truly excited about Vecima's future and looking forward to significant new achievements in fiscal 2021.

Sincerely,

Sumit Kumar

President and CEO

VECIMA NETWORKS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 22, 2020

This Management's Discussion and Analysis (MD&A) provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the year ended June 30, 2020.

Our MD&A supplements, but does not form part of, our audited consolidated financial statements and related notes for the years ended June 30, 2020 and 2019. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended June 30, 2020 and 2019 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

The content of this MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. Forward-looking statements include, but are not limited to our expectations related to general economic conditions and market trends and their anticipated effects on our business segments, our expectations related to customer demand and the impacts of novel coronavirus pandemic ("COVID-19"). For additional information related to forward-looking statements and material risks associated with them, please see the "Additional Information - Forward-Looking Information" section of this MD&A.

Additional information regarding Vecima, including our Annual Information Form, can be found on SEDAR at www.sedar.com.

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Company Overview

Vecima Networks Inc. (TSX:VCM) is a Canadian company founded in 1988 in Saskatoon, Saskatchewan. Today, Vecima has a global presence with offices in Vancouver, Atlanta, Raleigh, Sunnyvale, Qingdao, Shanghai, Tokyo, Amsterdam, London, and a manufacturing facility in Saskatoon. Vecima's corporate head office is located in Victoria, British Columbia.

Vecima is a global leader focused on developing integrated hardware and scalable software solutions for broadband access, content delivery, and telematics. We enable the world's leading innovators to advance, connect, entertain, and analyze. We build technologies that transform content delivery and storage, enable high-capacity broadband network access, and streamline data analytics.

Vecima's business is organized into three segments:

1) **Video and Broadband Solutions** (VBS) includes platforms and modules that process data from the cable network and deliver it in formats suitable to be consumed on televisions and Internet devices.

   a. Our Terrace and TerraceQAM product families meet the needs of the business services vertical, including MDU (multi-dwelling units) and Hospitality (including hotels, motels and resorts).

   b. Our next generation Entra™ family of products and platforms addresses the network migration to a Distributed Access Architecture (as described below under Industry Developments). The Entra Distributed Access Architecture platform is Vecima's realization of the next generation of hybrid fiber coaxial (HFC) and 10G EPON nodes as optical transport moves away from analog radio frequency (RF) distribution to all digital Ethernet. Our goal is to provide independent, agnostic and future proof Distributed Access solutions that can work with every core vendor and be upgradable to Full Duplex (FDX), Extended Spectrum DOCSIS (ESD), Passive Optical Network (PON) or whatever the future of ultra high speed networks require.

   The Entra Distributed Access Architecture (DAA) family of products is divided into five core categories:

   - EntraPHY - Multiple variants of the Entra Access Node that can operate as Remote PHY provides a modular platform for deployment of access technologies;
   - EntraMAC - Multiple variants of the Entra Access Node that can operate as Remote MAC PHY and provides a modular platform for deployment of access technologies;
   - EntraOptical - Consists of both a Chassis and Node based 10G EPON access technologies;
   - EntraControl -
     - The Entra Remote PHY Monitor (RPM), which offers unified control software for management, service assurance and monitoring of access nodes;
     - The Entra Video QAM Manager (VQM), which allows for the integration of video in a DAA environment within existing infrastructure, maximizing efficiency of fiber usage while reducing operational costs; and
     - The Entra Access Controller (EAC) manages all components of a Virtual CCAP Solution; and
   - EntraVideo -
     - The Entra Legacy QAM Adapter (LQA) and DV-12, which provide a simple solution to adapt existing video QAM infrastructure for distributed access; and
     - The Entra Interactive Video Controller (IVC), which supports both next-generation DAA Remote PHY and traditional RF networks providing essential two-way network connectivity for QAM set-top boxes that are heavily deployed and in service today.

2) **Content Delivery and Storage** (CDS) includes solutions and software, under the MediaScaleX™ and ContentAgent™ brands, for industries and customers that focus on ingesting, producing, storing, delivering and streaming video content for live linear, Video On Demand (VOD), network Digital Video Recorder (nDVR) and time-shifted TV services.

   Our Content Delivery and Storage business focuses specifically on multiple system operators' ("MSO") video content delivery and storage needs under the product categories: Storage, Cache, Origin and Transcode.

3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo, Nero Global Tracking, and FleetLynx brands.

Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards Distributed Access Architectures under the latest DOCSIS 3.1 standard. Some top tier players have initiated a gradual roll-out of this new platform with further large-scale deployments anticipated over the next several years. DOCSIS 3.1 is a critical evolution for the industry in that it unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second (Gbps) for download speed and 3 Gbps for upload speed. The speed provided by DOCSIS 3.1 is comparable to that of fiber optic connections, thereby allowing cable operators to upgrade their systems, but without the added infrastructure costs of building fiber to the home. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 modems can coexist with older versions and build on top of their previously deployed capacity. The higher efficiency of DOCSIS 3.1 technology also enables significant cost-per-bit reductions relative to DOCSIS 3.0 network solutions.

Starting in calendar 2020, the cable market began a broad shift towards DAA, focusing on Remote PHY technology as more operators recognized its suitability for market needs in terms of speed, agility, user experience and cost savings. The impact of COVID-19 in the year saw an increase in demand on network bandwidth, accelerating the push towards distributed access solutions. In 2020, Cable Television Laboratories or CableLabs, a not-for-profit innovation and research and development lab that works in cooperation with cable companies and cable equipment manufacturers, released the DOCSIS 4.0 specifications which includes full duplex DOCSIS (FDX) and extended spectrum DOCSIS (ESD), allowing multi-system operators (MSO) to significantly increase their upstream bandwidth.

Content Delivery and Storage

Global demand for Internet Protocol (IP) video content delivery and storage is growing, driven by the rapidly increasing consumption of IP video as consumers turn to streaming services and cable operators make vast arrays of new IP video content available to subscribers. Service providers are also pursuing new DVR opportunities that shift delivery and storage away from traditional set-top storage to cloud-based models. According to the latest industry analysis in the Cisco Visual Networking Index™, consumer Video On Demand traffic is expected to double by 2022 with IP video comprising 82% of all IP traffic.

Telematics

As asset tracking technology broadens beyond fleet management to new initiatives associated with asset management for asset-intensive industries such as manufacturing, construction, energy and aerospace, Vecima is developing products to capitalize on segments of these markets.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next generation platforms such as our new DOCSIS 3.1 platform, Entra, as well as new IP video storage and distribution technologies being developed under the MediaScaleX brand within the Content Delivery and Storage segment. We will continue to pursue profitable growth both organically and when appropriate, through value-enhancing strategic acquisitions.

Fiscal 2020 Full-Year and Q4 Highlights

Financial and Corporate Highlights

- Grew fiscal 2020 consolidated sales by 13% to $96.4 million year-over-year; increased fourth quarter FY2020 consolidated sales by 26% to $26.1 million
- Grew full-year gross profit 17% to $52.3 million, delivering a gross margin of 54%, as compared to 53% in FY2019. Increased fourth quarter gross profit by 26% to $12.8 million, delivering gross margin of 49%.
- Full-year adjusted EBITDA grew 123% to $18.3 million, from $8.2 million in fiscal 2019. Fourth quarter Adjusted EBITDA grew 1,262% to $3.8 million, a year-over-year increase of $3.5 million
- Adjusted full-year EPS grew to $0.06 per share, from a loss of $(0.09) per share in fiscal 2019. Adjusted fourth quarter EPS improved to $(0.06) from a loss of $(0.08) per share in Q4 fiscal 2019

- Ended the fiscal year in strong financial position with $34.5 million in cash and working capital of $55.3 million
- Declared annual dividends of $0.22 per share, including a fourth quarter dividend of $0.055 per share payable on November 2, 2020 to shareholders of record on October 9, 2020. This represents $29.9 million returned to shareholders through regular dividends since we initiated our dividends in October 2014

Video and Broadband Solutions

- Full-year segment sales decreased 5% year-over-year, reflecting the anticipated transition by customers from legacy platforms to next generation IP-enabled solutions and distributed access architectures. Fourth quarter VBS sales of $10.5 million increased 52% year-over-year, reflecting higher sales of Entra family and TerraceQAM products

- Entra family
  - Deployments of next generation Entra DAA products tied to the earliest stages of the market contributed full-year sales of $5.3 million and Q4 sales of $2.1 million, up significantly from $1.2 million and $0.6 million, respectively, in the same periods of fiscal 2019
  - Lead Tier 1 customer began first in-field service group deployments of Vecima's industry-leading, multi-core interoperable Entra Remote PHY node in Q4. Vecima has received orders covering multiple geographies and markets within the Tier 1 customer's footprint
  - Multiple products within Vecima's broad Entra DAA ecosystem were purchased by a wide group of MSOs as the industry kicked off on the network evolution to distributed access architecture throughout the year
  - Through the course of FY20 Vecima continued to build out a powerful and unparalleled portfolio of Entra platforms that are making DAA a reality as the industry sets off on the associated major infrastructure upgrade. Highlights included:
    - the Entra EN8124 node doubling downstream and upstream capacity in a single Remote PHY node;
    - the Entra Interactive Video Controller providing essential two-way connectivity to interactive set-top boxes in a DAA architecture;
    - major releases of the Entra RPM which has proven a critical configuration service assurance and monitoring platform; and
    - the paired Entra LQA and VQM products that maintain legacy video services in a DAA environment that are material to MSO revenue.
  - Subsequent to year-end on August 7, Vecima significantly expanded and accelerated its Entra offering with the closing of the acquisition of Nokia's cable access portfolio of Remote PHY, Remote MAC-PHY and 10G EPON/DPoE products. Vecima now offers the broadest full complement of access network solutions in the industry, spanning the varied needs of all manners of cable operators globally
  - Combined with the expansion the Company drove in Fiscal 20, the market acceleration and broader scope achieved with the Nokia cable access portfolio acquisition has increased Vecima's global engagements for Entra across a wide spectrum of operators encompassing multiple tiers, geographies and access network profiles. Vecima now has engagements for access network technologies with 41 operators, including 27 operators that are either in lab trial, field trial, or live deployment phases across the globe

- Commercial Video family
  - Increased full-year TerraceQAM sales by 93% and Q4 sales by 98% year-over-year as our lead Tier 1 MSO widened its extensive hospitality services platform, while preparing for migration to the next generation TerraceIQ system
  - Terrace family sales of $16.3 million in Fiscal 20 continued to provide ongoing contribution as Tier 1 customers neared full coverage leading up to the migration to the TerraceIQ next generation platforms
  - Continued to progress development of the next generation TerraceIQ platform, supporting the intent of customers to upgrade their widely deployed ecosystems of the Terrace and TerraceQAM products as networks move to IPTV

Content Delivery and Storage

- Generated record annual segment sales with revenue increasing 32% to $55.2 million year-over-year. Q4 sales grew 14% to $14.3 million
- Secured 13 new customers for Vecima's MediaScaleX IPTV products, including three new customers in Q4 and bringing to 34 the number of operators now using Vecima products to deliver IPTV. Achieved an additional two customer wins subsequent to year-end
- Further increased deployments of IPTV solutions with cable operators, telcos and broadcasters around the world, selling to over 100 customers in fiscal 2020 representing a combined operator footprint of over 132 million subscribers
- Established all-time record for services revenue, reflecting the large number of new deployments and the high-value services offered by the CDS team
- Signed agreement to supply the CDN to a Tier 1 MSO operating across Latin America and the Caribbean in Q1 for its IPTV network
- Robust sales uptake in Q2 of a major software release upgrade by a world top-five MSO where MediaScaleX is deployed to provide on-demand video across over 75% of the operator's footprint
- Revenue from outside North America grew to a record-high 37%, highlighting our geographic diversification and emerging strength in Latin America
- Responded to major increases in capacity utilization across all networks due to increased demand related to COVID-19 by delivering higher capacity across a number of customer deployments
- Set the stage for FY2021 by securing largest order in CDS segment's history to provide a full refresh of a Tier 1 APAC customer's Origin, Storage and CDN platform to be deployed over the course of several quarters

Telematics

- Continued roll out of previously announced City of Saskatoon fleet management solution, as well as expansions with other municipal government customers
- Continued penetration in the moveable assets market, adding 21 new restoration industry customers in FY2020, including four in Q4

Subsequent Events

Performance Share Units

The adoption of our performance share unit (PSU) plan was approved as well as the authorization, ratification and confirmation of all PSUs granted on or before June 23, 2020, during a special meeting of our shareholders held on July 28, 2020. The continuation and amendment of our stock option plan was also approved at this special meeting.

Acquisition of Nokia's Cable Access Portfolio of DAA and EPON/DPoE Solutions

On August 7, 2020, we completed the purchase of the DOCSIS DAA and EPON/DPoE cable access technology portfolios from Nokia Corporation for USD $4.8 million. The purchase price included inventory, property, plant and equipment and intangible assets.

The portfolio includes a centrally controlled DAA solution for unified support for Flexible MAC DAA nodes for Hybrid Fiber Coaxial (FHC) networks and DOCSIS Provisioning of EPON (DPoE) nodes for fiber-to-the-home and business. The portfolio also includes a DAA video engine and a chassis based EPON/DPoE solution for non-HFC network implementations. The Nokia employees that supported these products have transitioned to Vecima, but remain located in Raleigh, North Carolina; Sunnyvale, California; Qindao, China, and Shanghai, China.

We believe this acquisition creates compelling advantages for Vecima, including:

- creating the cable industry's most advanced next generation access ecosystem;
- expanding our addressable market by approximately three times;
- significantly accelerating our technology timeline by adding market-ready 10G EPON and MAC PHY capabilities to our portfolio today;

- enabling operators to select the access architecture that is right for them upfront, and migrate or mix and match over time as their networks evolve; and
- providing opportunities to expand and deepen our relationship with existing customers, including many of the world's Tier 1 MSOs.

Outlook

Around the globe, high levels of utilization across our customers' cable and IPTV networks are requiring that operators continue to expand capacity across their networks. Vecima is responding to this demand with an industry-leading portfolio of Distributed Access Architecture (DAA), commercial video and IPTV solutions that enable our customers to expand their capacity and network offerings.

In our Video and Broadband Solutions (VBS) segment, we anticipate a building of momentum for our next generation Entra DAA products in fiscal 2021, particularly in the second half. A lead Tier 1 DAA customer is expected to transition to scale deployment during the fiscal year, while a broader set of MSOs are expected to shift from lab trials to initial field deployments. Together with the new DAA Remote MAC-PHY, access controller and 10G EPON products gained through our recent acquisition of the Nokia cable access portfolio, we believe Vecima now offers the industry's strongest and most relevant DAA portfolio for the cable industry evolution underway and we anticipate meaningful sales growth for our entire Entra portfolio in fiscal 2021. We expect the Entra growth to be accompanied by continued demand for our TerraceQAM solution and emerging opportunities for our next generation TerraceIQ solution, which will help offset the impact of tapering demand for our legacy cable products.

Our Content Delivery and Storage segment is positioned for measured growth in fiscal 2021 as we consolidate the record-setting new business wins of fiscal 2020. We expect demand for our MediaScaleX solutions will remain strong as additional operators begin their evolution to IPTV, and we have already secured two additional new customer wins since year-end. We note, as always, that the Content Delivery and Storage segment is prone to significant quarter-to-quarter revenue variations due to the size and timing of orders.

In the Telematics segment, we anticipate incremental growth in demand from the fleet tracking market in fiscal 2021, along with continued gradual growth in demand for our asset tracking services.

Overall, we anticipate a very strong fiscal 2021 for Vecima as our multi-year investment, development, and strategic acquisition strategy continues to bear fruit.

COVID-19 Business Update

Social distancing and stay at home mandates related to the COVID 19 pandemic continue to drive unusually high levels of utilization across our customers' cable and IPTV networks. As a manufacturer and provider of communications solutions that expand the capacity of our customers' networks, Vecima's operations are not only deemed essential, but we have seen interest in our solutions increase since the onset of the pandemic.

We have taken a number of proactive steps to protect the health and safety of our employees and to support our ability to provide our products and platforms to our customers worldwide.

Employee Health and Safety: Our highest priority continues to be the well being of our employees, more than 80% of whom are able to perform their job functions outside of a Vecima facility and have transitioned to working remotely. A small number of Vecima employees, primarily those in our Saskatoon manufacturing facility, have roles whose physical presence is required to perform their job function. These employees continue to report to work but are subject to strict protocols intended to reduce the risk of transmission, including social distancing, increased cleaning and availability of personal protective equipment as necessary.

Operations and Supply Chain: Our manufacturing sites have continued to operate at or near normal levels, and we have increased inventory levels to enhance our ability to fulfill orders. While lead times for some of our component supplies have subsequently increased, and in certain limited cases we have needed to seek out alternate sources of supply, we have not encountered significant disruptions to our supply chain to date.

While it is difficult to predict what the full economic, supply chain and network development impacts of the COVID-19 pandemic will be, given the evolving and uncertain nature of this crisis, we will continue to monitor the situation closely and make adjustments to our business as necessary. Please see "Risks and Uncertainties and COVID-19" and "Forward Looking Information" for more information on COVID-19 as it pertains to our business.

Consolidated Results of Operations

Amounts are presented in thousands of Canadian dollars except percentages, employees, dividends and per share amounts. This information should be read in conjunction with our financial statements for the relevant periods, including the related notes, and the balance of this MD&A.

Consolidated Statements of Comprehensive Income (Loss) Data	Years ended June 30,					
	2020		2019		2018	
Sales	**$ 96,416**	**100 %**	$ 85,032	100 %	$ 78,104	100 %
Cost of sales	**44,112**	**46 %**	40,155	47 %	36,254	46 %
Gross profit	**52,304**	**54 %**	44,877	53 %	41,850	54 %
Operating expenses						
Research and development[1]	**22,173**	**23 %**	18,973	22 %	15,101	19 %
Sales and marketing	**14,048**	**14 %**	14,112	17 %	10,463	13 %
General and administrative	**16,280**	**17 %**	16,596	20 %	13,248	17 %
Impairment of intangible assets	**-**	**- %**	-	- %	22	- %
Restructuring costs	**-**	**- %**	2,176	3 %	-	- %
Share-based compensation	**59**	**- %**	112	- %	80	- %
Other (income) expenses	**(479)**	**- %**	(418)	(1)%	(317)	- %
	52,081	**54 %**	51,551	61 %	38,597	49 %
Operating income (loss)	**223**	**- %**	(6,674)	(8)%	3,253	4 %
Finance income	**633**	**1 %**	879	1 %	1,132	2 %
Foreign exchange gain (loss)	**1,340**	**1 %**	(66)	- %	930	1 %
Income (loss) before taxes	**2,196**	**2 %**	(5,861)	(7)%	5,315	7 %
Income tax expense (recovery)	**390**	**- %**	(2,402)	(3)%	1,532	2 %
Net income (loss) from continuing operations	**1,806**	**2 %**	(3,459)	(4)%	3,783	5 %
Discontinued operations	**-**	**- %**	-	- %	7,019	9 %
Net income (loss)	**1,806**	**2 %**	(3,459)	(4)%	10,802	14 %
Other comprehensive income (loss)	**1,088**	**1 %**	(67)	- %	1,077	1 %
Comprehensive income (loss)	**$ 2,894**	**3 %**	$ (3,526)	(4)%	$ 11,879	15 %
Net income (loss) per share[2]						
Basic	**$ 0.08**		$ (0.15)		$ 0.48	
Basic from continuing operations	**$ 0.08**		$ (0.15)		$ 0.17	
Diluted	**$ 0.08**		$ (0.15)		$ 0.48	
Diluted from continuing operations	**$ 0.08**		$ (0.15)		$ 0.17	
Other Data						
Total research and development expenditures[3]	**$ 25,828**		$ 29,336		$ 27,469	
Adjusted EBITDA[4]	**$ 18,272**		$ 8,177		$ 14,535	
Adjusted earnings per share[5]	**$ 0.06**		$ (0.09)		$ 0.17	
Number of employees[6]	**377**		364		419	

(1) *Net of investment tax credits and capitalized development costs.*

(2) *Based on weighted average number of common shares outstanding.*

(3) *See "Total Research and Development Expenditures".*

(4) *Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "EBITDA and Adjusted EBITDA".*

(5) *Adjusted Earnings per Share does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "Adjusted Earnings per Share".*

(6) *The number of employees is determined as of the end of the fiscal year.*

Consolidated Statements of Financial Position		As at June 30,	
(unaudited - in thousands of dollars except common share data)	**June 30, 2020**	June 30, 2019	June 30, 2018
Cash and cash equivalents	**$ 17,350**	$ 19,834	$ 11,034
Short-term investments	**$ 17,165**	$ 24,569	$ 46,660
Working capital	**$ 55,280**	$ 58,286	$ 77,403
Total assets	**$ 210,298**	$ 200,770	$ 210,039
Long-term debt[(1)]	**$ 4,613**	$ 1,729	$ 1,979
Shareholders' equity	**$ 179,762**	$ 180,768	$ 189,285
Number of common shares outstanding[(2)]	**22,411,612**	22,362,031	22,414,944

[(1)] *Fiscal 2020 Long-term debt now includes lease liabilities per IFRS 16.*

[(2)] *Based on weighted average number of common shares outstanding.*

Adjusted Net Income and Adjusted Earnings per Share

The following table reconciles net income for the period to adjusted net income as well as earnings per share to adjusted earnings per share. The term "adjusted net income" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for gains and losses on the sale of non-core property, plant and equipment ("PP&E"), intangible assets, and assets held for sale, impairments of intangible assets, restructuring costs, and the tax effect of these adjusted items. We believe that adjusted net income and adjusted earnings per share provides supplemental information for management and our investors because they provide for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted earnings and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings per Share		Years ended	
(unaudited - in thousands of dollars except per share amounts)	**2020**	2019	2018
Net income (loss)	**$ 1,806**	$ (3,459)	$ 10,802
Gain on sale spectrum licenses, net of tax	**-**	-	(7,087)
Gain on sale of non-core intangibles, net of tax	**-**	(176)	-
Gain on sale of non-core PP&E, net of tax	**(397)**	-	-
Impairment of intangible assets, net of tax	**-**	-	16
Restructuring costs, net of tax	**-**	1,623	-
Adjusted net income (loss)	**$ 1,409**	$ (2,012)	$ 3,731
Net income (loss) per share	**$ 0.08**	$ (0.15)	$ 0.48
Gain on sale of spectrum licenses, net of tax	**-**	-	(0.31)
Gain on sale of non-core intangibles, net of tax	**-**	(0.01)	-
Gain on sale of non-core PP&E, net of tax	**(0.02)**	-	-
Restructuring costs, net of tax	**-**	0.07	-
Adjusted earnings per share	**$ 0.06**	$ (0.09)	$ 0.17

As of Q4 fiscal 2019, we changed our definition and calculation of adjusted net income and adjusted earnings per share to incorporate restructuring costs to the calculation of these measures. We believe this change provides a more consistent determination as compared to other companies in our industry. We also believe this consistency enables management, investors and analysts to better assess our main business activities as well as improve comparability to others within our industry.

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term "EBITDA" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for PP&E, right-of-use assets, deferred development and intangible assets. The term "Adjusted EBITDA" refers to EBITDA adjusted for: gains and losses on sale of PP&E, intangible assets, and assets held for sale; impairment of PP&E; impairment of deferred development costs and other intangible assets; restructuring costs; and share-based compensation expense. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, or as an indicator of our financial performance or as a measure of our liquidity and cash flows.

The adoption of IFRS 16 impacted the calculation of EBITDA with depreciation of right-of-use assets increasing fiscal 2020 EBITDA by $1,403 and interest on lease liabilities increasing EBITDA by $230.

Calculation of Adjusted EBITDA	**Years ended**		
	2020	2019	2018
Net income (loss)	**$ 1,806**	$ (3,459)	$ 10,802
Income tax expense (recovery)	**390**	(2,402)	2,626
Interest expense	**297**	200	92
Depreciation of PP&E	**2,197**	2,339	2,406
Depreciation of right-of-use assets	**1,403**	-	-
Amortization of deferred development costs	**8,702**	5,529	4,227
Amortization of intangible assets	**3,873**	3,802	2,294
EBITDA	**18,668**	6,009	22,447
Gain on assets held for resale	**-**	-	(8,109)
(Gain) loss on sale of property, plant and equipment	**(455)**	82	95
Gain on sale of intangible assets	**-**	(202)	-
Restructuring costs	**-**	2,176	-
Impairment of intangible assets	**-**	-	22
Share-based compensation	**59**	112	80
Adjusted EBITDA	**$ 18,272**	$ 8,177	$ 14,535
Percentage of sales	**19 %**	10 %	19 %

Total Research and Development Expenditures

The following table reconciles research and development expenses reported in accordance with IFRS as shown on the consolidated statements of comprehensive income (research and development) to our actual cash research and development expenditures (total research and development expenditure) below:

Calculation of Research and Development Expenditures	**Years ended**		
	2020	2019	2018
Research and development per statement of income	**$ 22,173**	$ 18,973	$ 15,101
Deferred development costs	**12,250**	16,057	16,407
Investment tax credits	**205**	67	237
Amortization of deferred development costs	**(8,702)**	(5,529)	(4,227)
Government grants	**(98)**	(232)	(49)
Total research and development expenditure	**$ 25,828**	$ 29,336	$ 27,469
Percentage of sales	**27 %**	34 %	35 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the years ended June 30, 2020 and 2019 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

	Fiscal Year 2020				Fiscal Year 2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	$ 26,088	$ 25,093	$ 25,123	$ 20,112	$ 20,715	$ 20,328	$ 22,654	$ 21,335
Cost of sales	13,290	12,069	9,115	9,638	10,555	9,642	9,814	10,144
Gross profit	12,798	13,024	16,008	10,474	10,160	10,686	12,840	11,191
Operating expenses								
Research and development	6,857	5,714	4,534	5,068	5,006	4,797	4,567	4,603
Sales and marketing	3,177	3,698	3,427	3,746	3,631	4,029	3,252	3,200
General and administrative	4,070	4,087	4,142	3,981	4,340	4,247	4,006	4,003
Restructuring costs	-	-	-	-	1,419	-	-	757
Share-based compensation	12	13	17	17	10	28	40	34
Other (income) expense	(349)	25	(145)	(10)	17	(69)	(278)	(88)
	13,767	13,537	11,975	12,802	14,423	13,032	11,587	12,509
Operating (loss) income	(969)	(513)	4,033	(2,328)	(4,263)	(2,346)	1,253	(1,318)
Finance income (expense)	109	(238)	554	208	329	301	27	222
Foreign exchange (loss) gain	(453)	1,972	(477)	298	(523)	(619)	1,593	(517)
(Loss) income before income taxes	(1,313)	1,221	4,110	(1,822)	(4,457)	(2,664)	2,873	(1,613)
Income tax (recovery) expense	(276)	555	549	(438)	(1,504)	(1,203)	823	(518)
Net (loss) income from continuing operations	(1,037)	666	3,561	(1,384)	(2,953)	(1,461)	2,050	(1,095)
Net (loss) income	(1,037)	666	3,561	(1,384)	(2,953)	(1,461)	2,050	(1,095)
Other comprehensive (loss) income	(1,125)	2,416	(426)	223	(460)	(584)	1,395	(418)
Comprehensive (loss) income	$ (2,162)	$ 3,082	$ 3,135	$ (1,161)	$ (3,413)	$ (2,045)	$ 3,445	$ (1,513)
Net income (loss) per share								
Basic	$ (0.05)	$ 0.03	$ 0.16	$ (0.06)	$ (0.13)	$ (0.06)	$ 0.09	$ (0.05)
Diluted	$ (0.05)	$ 0.03	$ 0.16	$ (0.06)	$ (0.13)	$ (0.06)	$ 0.09	$ (0.05)
Adjusted EBITDA as reported	$ 3,827	$ 5,617	$ 7,042	$ 1,786	$ 281	$ 424	$ 5,539	$ 1,933

Quarter-to-Quarter Sales Variances

There are many factors that contribute to the overall variances of our sales. Traditionally, one of the main factors has been that we continually develop new products to replace products that are reaching the end of their lifecycle. The timing of development can vary based on the size of the projects. The timing of regulatory certification and customer acceptance of new products can also affect the timing of sales.

Within the industry, spending by cable operators is impacted by new technology adoption such as the industry migration to DOCSIS 3.1. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders as do their installation schedules. We are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1. We expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized.

Our Content Delivery and Storage segment also contributes to variation in our quarterly sales. Quarterly sales fluctuations are typical of this business due to the typically large size of customer orders and associated IPTV projects that are subject to customer timing adjustments. Demand for CDS solutions is also prone to seasonal demand fluctuations with the first quarter typically carrying slower customer activity.

Segmented Information

Sales

Segment		Three months ended June 30, 2020		2019		Years ended June 30, 2020		2019
Video and Broadband Solutions	**$**	**10,466**	$	6,890	**$**	**35,859**	$	37,665
Content Delivery and Storage		**14,300**		12,504		**55,199**		41,879
Telematics		**1,322**		1,321		**5,358**		5,488
Total sales	**$**	**26,088**	$	20,715	**$**	**96,416**	$	85,032

Three-Month Sales

Total sales grew to $26.1 million in the fourth quarter of fiscal 2020, up 26% from $20.7 million in Q4 fiscal 2019 and an increase of 4% from the $25.1 million generated in Q3 fiscal 2020. The year-over-year sales growth reflects higher sales in both our Video and Broadband segment and our Content Delivery and Storage segment.

The Video and Broadband Solutions segment recorded fourth quarter sales of $10.5 million, an increase of 52% from $6.9 million in Q4 fiscal 2019 and up 9% from $9.6 million in Q3 fiscal 2020. The year-over-year increase in Video and Broadband Solutions sales was driven by higher demand for ourTerraceQAM and Entra family products.

- Terrace family sales of $4.0 million decreased 1% from the $4.1 million generated in both Q4 fiscal 2019 and Q3 fiscal 2020. The slight reduction in Terrace Family sales was anticipated and primarily reflects lower sales of our legacy TC600 and TC600E products.

- TerraceQAM sales grew to $3.3 million, up 98% from $1.7 million in the fourth quarter of fiscal 2019 and in line with the $3.3 million generated in Q3 fiscal 2020. While we anticipate continued ordering activity for TerraceQAM, we believe the deployment of the current generation platform is nearing saturation and we are working with customers on the next generation platform.

- Further deployments of our next generation Entra products contributed fourth quarter revenue of $2.1 million, up 255% from $0.6 million in Q4 fiscal 2019 and 17% from $1.8 million in Q3 fiscal 2020.

Our Content Delivery and Storage segment achieved strong quarterly sales of $14.3 million, an increase of 14% from $12.5 million in the fourth quarter of fiscal 2019 and an increase of 1% from the $14.2 million generated in Q3 2020. The increase in Content Delivery and Storage sales reflects the expansion of our customer base and strong demand for our IPTV solutions. Segment sales for the Q4 fiscal 2020 period included $9.6 million of product sales and $4.7 million of services revenue.

Telematics sales were stable at $1.3 million in the fourth quarter of fiscal 2020, as compared to $1.3 million in both Q4 fiscal 2019 and Q3 fiscal 2020. Results for the quarter were in line with our expectations.

Twelve-Month Sales

For the year ended June 30, 2020 total sales increased 13% to $96.4 million from $85.0 million in fiscal 2019. The year-over-year sales growth primarily reflects a strong contribution from our Content Delivery and Storage segment, partially offset by lower sales in the Video and Broadband Solutions segment.

Video and Broadband Solutions reported sales of $35.9 million in fiscal 2020, as compared to $37.7 million in fiscal 2019.

- Fiscal 2020 Terrace family sales of $16.3 million decreased 32% from $24.1 million in fiscal 2019. The year-over-year change reflects a slower pace of purchasing activity for legacy TC600E products.

- Sales of TerraceQAM increased by 93% to $11.7 million in fiscal 2020, from $6.0 million in fiscal 2019. While we anticipate continued ordering activity for TerraceQAM, overall, we believe the deployment of the current generation platform is nearing saturation and we are working with customers on the next generation platform.

- Initial deployments of our Entra family products contributed sales of $5.3 million in fiscal 2020, an increase of 334% from $1.2 million in fiscal 2019.

Content Delivery and Storage generated record sales of $55.2 million in fiscal 2020, a 32% increase from $41.9 million in fiscal 2019. The segment's best-ever performance was driven by strong demand for our MediaScaleX family of products from an expanded base of 100 global customers. Segment sales in fiscal 2020 included $37.4 million of product sales and $17.8 million of services revenue.

Telematics sales were modestly lower at $5.4 million in fiscal 2020, compared to $5.5 million in fiscal 2019. These results were in line with our expectations.

Cost of Sales

Cost of sales consists primarily of product manufacturing and assembly expenses, with component parts, employee and third-party supplier costs representing a significant portion of these costs. Costs associated with Video and Broadband Solutions sales include related overhead, compensation, final assembly, quality assurance, inventory management costs, and sales commissions, as well as support costs and payments to contract manufacturers that perform printed circuit board assembly functions. Costs associated with Content Delivery and Storage sales include the cost of the computer systems sold, including amortization of software development costs, depreciation, labour, material, overhead and third-party product costs, as well as the salaries, benefits and other costs of the maintenance, service and help desk personnel associated with product installation, support activities and sales commissions. Costs associated with Telematics sales consist of hardware amortization, inventory management costs, order fulfillment, wireless fees, server hosting services, mapping licenses and sales commissions.

Gross Profit and Gross Margin

	Three months ended June 30,		Years ended June 30,	
Segment	**2020**	2019	**2020**	2019
Video and Broadband Solutions	**$ 4,091**	$ 3,094	**$ 16,945**	$ 18,244
Content Delivery and Storage	**7,781**	6,202	**31,675**	22,891
Telematics	**926**	864	**3,684**	3,742
Total gross profit	**$ 12,798**	$ 10,160	**$ 52,304**	$ 44,877
Video and Broadband Solutions	**39.1 %**	44.9 %	**47.3 %**	48.4 %
Content Delivery and Storage	**54.4 %**	49.6 %	**57.4 %**	54.7 %
Telematics	**70.0 %**	65.4 %	**68.8 %**	68.2 %
Total gross margin	**49.1 %**	49.0 %	**54.2 %**	52.8 %

Three-Month Results

For the three months ended June 30, 2020, we achieved a gross margin of 49%, in line with our expectations. This was consistent with the 49% achieved in Q4 fiscal 2019, but lower than the 52% achieved in Q3 fiscal 2020, reflecting different product mixes in the periods. Total gross profit increased to $12.8 million in the fourth quarter of fiscal 2020, up 26% from $10.2 million in Q4 fiscal 2019 as a result of higher sales. On a sequential quarterly basis, Q4 2020 gross profit was lower than the $13.0 million achieved in Q3 fiscal 2020, reflecting the higher gross margin in the Q3 period.

Gross margin from the Video and Broadband Solutions segment was 39% (gross profit of $4.1 million) in the fourth quarter of fiscal 2020, as compared to 45% (gross profit of $3.1 million) in Q4 fiscal 2019 and 47% (gross profit of $4.5 million) in Q3 fiscal 2020. The change in gross profit reflects different product mixes in each period, as well as one-time costs related to our new Entra products incurred during the Q4 fiscal 2020 period.

The Content Delivery and Storage segment increased fourth quarter gross margin to 54% (gross profit of $7.8 million), from 50% (gross profit of $6.2 million) in Q4 fiscal 2019 and 54% (gross profit of $7.6 million) in Q3 fiscal 2020. The stronger gross margin performance in Q4 2020 reflects a different product and customer mix.

Gross margin from the Telematics segment increased to 70% (gross profit of $0.9 million) in the fourth quarter of fiscal 2020, up from 65% (gross profit of $0.9 million) in Q4 fiscal 2019 and in-line with the 70% (gross profit of $0.9 million) in Q3 fiscal 2020.

Twelve-Month Results

For the year ended June 30, 2020, gross margin increased to 54% from 53% in the same period last year while total gross profit increased 17% year-over-year to $52.3 million from $44.9 million. The improved results reflect higher sales and an increase in higher-margin software and service sales in the current year.

Gross margin from the Video and Broadband Solutions segment decreased slightly to 47% in fiscal 2020, from 48% in the same period last year. The change reflects increased sales of specific Entra products that carry lower margins, partially offset by an increase in higher-margin software sales and the positive impact of a stronger US dollar relative to the Canadian dollar on a year-over-year basis. Video and Broadband Solutions gross profit of $16.9 million in fiscal 2020 compares to $18.2 million in the same period of fiscal 2019, reflecting lower sales and a slightly lower gross margin.

The Content Delivery and Storage segment increased gross margin to 57% in fiscal 2020, from 55% in fiscal 2019. The improvement in gross margin primarily reflects a shift in customer and product mix. Fiscal 2020 gross profit grew 38% to $31.7 million, from $22.9 million in fiscal 2019. This significant improvement reflects higher sales with a slightly higher gross margin percentage in the current year.

The Telematics segment generated a gross margin of 69% (gross profit of $3.7 million) in the year ended June 30, 2020, as compared to 68% (gross profit of $3.7 million) in fiscal 2019.

Operating Expenses

Segment	Three months ended June 30,		Years ended June 30,	
	2020	2019	**2020**	2019
Video and Broadband Solutions	**$ 6,630**	$ 7,716	**$ 23,242**	$ 26,858
Content Delivery and Storage	**6,454**	5,926	**25,793**	21,756
Telematics	**683**	781	**3,046**	2,937
Total operating expenses	**$ 13,767**	$ 14,423	**$ 52,081**	$ 51,551

Three-Month Results

For the three months ended June 30, 2020, total operating expenses decreased to $13.8 million, from $14.4 million in the same period last year. The $0.6 million decrease primarily reflects a reduction in costs in the Video and Broadband Solutions segment partially offset by higher operating expenses in the Content Delivery and Storage segment.

Video and Broadband Solutions operating expenses decreased to $6.6 million, from $7.7 million in Q4 fiscal 2019. The $1.1 million reduction reflects restructuring costs incurred in the fiscal 2019 period that did not repeat in Q4 fiscal 2020, together with subsequent savings from the restructuring initiatives that benefitted current period results partially offset by additional deferred development amortization resulting from the reversal of prior-year investment tax credits that expired. It also reflects lower finished goods inventory allowances year-over-year.

Content Delivery and Storage operating expenses were $6.5 million in Q4 fiscal 2020, higher than $5.9 million in Q4 fiscal 2019, but in line with $6.4 million in Q3 fiscal 2020. The year-over-year increase reflects increased research and development expenses due to higher amortization of deferred development costs, the addition of operating costs from the newly acquired ContentAgent business, and higher staffing costs to support sales growth.

Telematics operating expenses of $0.7 million were slightly lower than the $0.8 million reported in both Q4 fiscal 2019 and Q3 fiscal 2020. This reflects lower research and development expenses as a result of higher deferrals in the current quarter.

Research and development expenses for Q4 fiscal 2020 increased to $6.9 million, or 26% of sales, from $5.0 million, or 24% of sales in the same period of fiscal 2019. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q4 fiscal 2020 increased to $6.8 million, or 26% of sales, from $6.2 million, or 30% of sales in Q4 fiscal 2019. The increase reflects higher staffing costs and higher prototyping costs as our next generation product families move closer to commercial deployment.

Sales and marketing expenses were $3.2 million, or 12% of sales in Q4 fiscal 2020, as compared to $3.6 million, or 18% of sales in the same period last year. The decrease in sales and marketing expense was primarily due to lower finished goods inventory allowances in the current period.

General and administrative expenses decreased to $4.1 million in Q4 fiscal 2020 from $4.3 million in the same period last year. A year-over-year reduction in Video Broadband Solutions staffing costs was partially offset by the addition of expenses from the newly acquired ContentAgent business.

Restructuring costs were $nil in Q4 fiscal 2020 as compared to $1.4 million in Q4 fiscal 2019. Prior-year costs represented severance costs related to the reorganization of our research and development staff as we moved closer to commercial deployment of our new products.

Stock-based compensation expense was $0.01 million in Q4 fiscal 2020, in line with $0.01 million in Q4 fiscal 2019.

Other (income) expense increased to $0.3 million in Q4 fiscal 2020 from other expense of $0.02 million in Q4 fiscal 2019 due to a gain on sale of the Revelstoke property in the current year quarter.

Twelve-Month Results

For the year ended June 30, 2020, total operating expenses increased to $52.1 million, from $51.6 million in fiscal 2019. This primarily reflects higher operating expenses in the Content Delivery and Storage segment in support of growth offset by lower operating costs in the Video and Broadband Solutions segment as a result of the reorganization of the research and development and manufacturing cost areas partially offset by higher deferred development amortization resulting from the reversal of prior-year investment tax credits that expired.

Video and Broadband Solutions operating expenses decreased to $23.2 million for the year ended June 30, 2020, from $26.9 million in fiscal 2019. The significant $3.7 million reduction reflects restructuring costs incurred in fiscal 2019 that did not repeat in fiscal 2020, together with subsequent savings from the restructuring efforts which benefitted fiscal 2020 results partially offset by higher deferred development amortization resulting from the reversal of prior-year investment tax credits that expired.

Content Delivery and Storage operating expenses increased to $25.8 million for the year ended June 30, 2020 from $21.8 million in fiscal 2019. This primarily reflects higher staffing costs to support growth, and the addition of the ContentAgent business.

Telematics operating expenses increased to $3.0 million in fiscal 2020, from $2.9 million last year. This $0.1 million increase primarily reflects slightly higher research and development expenses year-over-year.

Research and development expenses for the year ended June 30, 2020 increased to $22.2 million, or 23% of sales, from $19.0 million, or 22% of sales in fiscal 2019. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the year ended June 30, 2020 decreased to $25.8 million, or 27% of sales, from $29.3 million, or 34% of sales for the same period in the prior year. This decrease primarily reflects lower staffing, subcontracting and prototyping costs year-over-year as our next generation product families move closer to commercial deployment.

Sales and marketing expenses were $14.0 million, or 15% of sales in fiscal 2020, as compared to $14.1 million, or 17% of sales last year. The slight decrease in expense primarily reflects lower finished goods inventory allowances partially offset by additional staffing costs in the Content Delivery and Storage segment in support of sales growth, as well as incremental costs related to the addition of the ContentAgent business.

General and administrative expenses decreased to $16.3 million in fiscal 2020, from $16.6 million in fiscal 2019. The year-over-year decrease primarily reflects lower staffing costs partially offset by the addition of the ContentAgent business.

Restructuring costs were $nil for the year ended June 30, 2020 as compared to $2.2 million in fiscal 2019 when we incurred severance costs related to the reorganization of our research and development staffing and manufacturing operations.

Stock-based compensation expense was $0.06 million in fiscal 2020 as compared to $0.11 million in fiscal 2019.

Other income increased to $0.5 million for the year ended June 30, 2020, from $0.4 million in fiscal 2019 reflecting real estate property sales in the current year and intellectual property sales in the prior year.

Operating (Loss) Income

	Three months ended June 30,		Years ended June 30,	
Segment Operating (Loss) Income	**2020**	2019	**2020**	2019
Video and Broadband Solutions	**$ (2,539)**	$ (4,622)	**$ (6,297)**	$ (8,614)
Content Delivery and Storage	**1,327**	276	**5,882**	1,135
Telematics	**243**	83	**638**	805
Total operating (loss) income	**$ (969)**	$ (4,263)	**$ 223**	$ (6,674)

Three-Month Results

Operating loss significantly improved to $1.0 million in Q4 fiscal 2020, from an operating loss of $4.3 million in Q4 fiscal 2019. The $3.3 million improvement was mainly driven by a $2.1 million decrease in loss from the Video and Broadband Solutions segment, a $1.0 million increase in contribution from the Content Delivery and Storage segment and a $0.2 million increase in contribution from the Telematics segment year-over-year.

The Video and Broadband Solutions segment generated a fourth quarter operating loss of $2.5 million, as compared to an operating loss of $4.6 million in Q4 fiscal 2019. The year-over-year improvement reflects the $1.1 million decrease in operating expenses and $1.0 million increase in segment gross profit.

Content Delivery and Storage increased operating income to $1.3 million in the fourth quarter of fiscal 2020, from $0.3 million in the same period of fiscal 2019. The $1.0 million year-over-year increase primarily reflects the $1.6 million improvement in gross profit partially offset by the $0.6 million increase in operating expenses.

Telematics operating income increased to $0.2 million in Q4 fiscal 2020, from $0.1 million in Q4 fiscal 2019. This reflects a $0.1 million increase in gross profits year-over-year.

Finance income was income of $0.1 million in Q4 fiscal 2020, as compared to income of $0.3 million in the same period last year. The current period result is lower due to a loss in the value of shares held in AirIQ.

Foreign exchange loss for the fourth quarter was $0.5 million, in line with the $0.5 million loss in the prior-year period.

Income tax (recovery) was a recovery of $0.3 million in Q4 fiscal 2020, as compared to a recovery of $1.5 million in Q4 fiscal 2019.

Net loss for Q4 fiscal 2020 improved to $1.0 million or $0.05 per share, from a loss of $3.0 million or $0.13 per share in Q4 fiscal 2019.

Other comprehensive loss increased to a loss of $1.1 million in Q4 fiscal 2020 from other comprehensive loss of $0.5 million in the same period in fiscal 2019. The year-over-year change reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive loss for Q4 fiscal 2020 improved to $2.6 million, from a comprehensive loss of $3.4 million in Q4 fiscal 2019. The improvement year-over-year is a result of the changes described above.

Twelve-Month Results

For the year ended June 30, 2020, operating income improved to $0.2 million up $6.9 million from an operating loss of $6.7 million in fiscal 2019. The year-over-year increase mainly reflects improved results from the Content Delivery and Storage segment and the Video and Broadband Solutions segment, partially offset by decreased operating income from the Telematics segment.

Video and Broadband Solutions reported an operating loss of $6.3 million in fiscal 2020, as compared to an operating loss of $8.6 million in fiscal 2019. The $2.3 million improvement reflects the $3.6 million decrease in operating expenses partially offset by the $1.3 million decrease in gross profit.

Content Delivery and Storage increased operating income to $5.9 million from $1.1 million in fiscal 2019. The $4.8 million gain reflects the $8.8 million increase in segment gross profit partially offset by the $4.0 million increase in operating expenses.

Telematics operating income decreased to $0.6 million in the year ended June 30, 2020, from $0.8 million in fiscal 2019. The $0.2 million decrease reflects the $0.1 million increase in operating expenses and a $0.1 million decrease in gross profit.

Finance income decreased to $0.6 million in fiscal 2020, from $0.9 million in the previous year reflecting a decrease in short-term investment income year-over-year.

Foreign exchange gain (loss) for the year ended June 30, 2020 was a gain of $1.3 million, compared to a loss of $0.1 million in fiscal 2019.

Income tax expense (recovery) was an expense of $0.4 million for the year ended June 30, 2020 compared to a recovery of $2.4 million in fiscal 2019.

Net income (loss) for the year ended June 30, 2020 increased to income of $1.8 million or $0.08 per share from a loss of $3.5 million or $0.15 loss per share in fiscal 2019.

Other comprehensive income (loss) increased to comprehensive income of $1.1 million in the year ended June 30, 2020, from other comprehensive loss of $0.1 million in fiscal 2019. The $1.2 million improvement reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive income (loss) for the year ended June 30, 2020 increased to comprehensive income of $2.9 million, from comprehensive loss of $3.5 million in fiscal 2019.

Operating Activities

For the three months ended June 30, 2020, cash flow from operating activities was $2.5 million, in line with $2.8 million in the same period last year. In the Q4 fiscal 2020 period, a $3.1 million reduction in cash flow from non-cash working capital was fully offset by a $2.8 million increase in operating cash flow. IFRS 16 increased net cash provided by operating activities by $0.4 million as a result of depreciation of right-of-use assets.

For the year ended June 30, 2020, cash flow from operating activities decreased to $9.8 million, from $11.4 million in fiscal 2019. This primarily reflects the $11.0 million decrease in cash flow from non-cash working capital, partially offset by the $9.4 million increase in operating cash flow. IFRS 16 increased net cash provided by operating activities by $1.4 million as a result of depreciation of right-of-use assets.

Investing Activities

For the three months ended June 30, 2020, cash flow used in investing activities increased to $3.1 million from $1.2 million in the same period last year. This increase reflects the purchase of short-term investments of $0.2 million (Q4 fiscal 2019 sale of marketable securities - $3.6 million), deferred development expenditures of $3.4 million (Q4 fiscal 2019 - $2.9 million), and the purchase of property, plant and equipment of $0.4 million (Q4 fiscal 2019 - $1.1 million).

For the year ended June 30, 2020, cash flow from investing activities increased to $6.0 million from cash provided by investing activities of $2.5 million in fiscal 2019. The cash used by investing activities represents the net sale of short-term investments of $7.4 million (fiscal 2019 - $22.1 million), deferred development expenditures of $12.3 million (fiscal 2019 - $16.1 million), and the purchase of property, plant and equipment of $2.1 million (fiscal 2019 - $2.9 million).

Financing Activities

In the three months ended June 30, 2020, we repaid $0.06 million of our long-term debt (Q4 fiscal 2019 - $0.06 million repaid). We paid dividends of $1.2 million (Q4 fiscal 2019 - $1.2 million). We received proceeds from exercised options of $0.4 million (Q4 fiscal 2019 - $0.1 million) and proceeds from government grants of $nil (Q4 fiscal 2019 - $0.1 million) and we repaid lease liabilities of $0.7 million (Q4 fiscal 2019 - $nil). As a result of IFRS 16, lease liabilities are now reported under financing activities.

In the year ended June 30, 2020, we repaid $0.3 million of our long-term debt (fiscal 2019 - $0.3 million repaid). We paid dividends of $4.9 million (fiscal 2019 - $4.9 million). We received proceeds from exercised options of $0.9 million (fiscal 2019 - $0.1 million) and proceeds from government grants of $0.1 million (fiscal 2019 - $0.2 million) and we repaid lease liabilities of $1.7 million (fiscal 2019 - $nil). As a result of IFRS 16, lease liabilities are now reported under financing activities.

Liquidity and Capital Resources

We manage our liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. We believe that our current cash and short-term investments of $34.5 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future.

As at June 30, 2020, we had access to our full revolving loan facility of $14.0 million ($14.0 million at June 30, 2019), of which $nil was drawn as an operating line of credit (June 30, 2019 - $nil was drawn). We had term credit of $1.7 million as at June 30, 2020 (June 30, 2019 - $2.0 million).

Capital expenditures for Q4 fiscal 2020 were $0.4 million, compared to $1.1 million in Q4 fiscal 2019.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to $55.3 million at June 30, 2020, from $58.3 million at June 30, 2019. This decrease is mainly a result of changes from the adoption of IFRS 16 which increased the current portion of long-term debt. We note that working capital balances can also be subject to significant swings from quarter-to-quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship $5-to-$6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30 day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance increased to $24.9 million at June 30, 2020, from $15.2 million at June 30, 2019. This increase reflects the larger sales in Q4 fiscal 2020 compared to Q4 fiscal 2019, Q3 2020 sales that will be collected in Q1 fiscal 2021 and the timing of sales in Q4 fiscal 2020 as compared to Q4 fiscal 2019.

Income tax receivable balance was slightly lower at $0.3 million at June 30, 2019 ($0.4 million as at June 30, 2019). This represents income tax receivable in the Content Delivery and Storage segment.

Inventories increased by $4.5 million to $17.2 million at June 30, 2020, from $12.7 million as at June 30, 2019. The increase represents the ramp up of inventory related to our new product inventory, as well as some strategic inventory purchases in light of the COVID-19 situation. Finished goods inventories were $6.4 million at June 30, 2020, compared to $5.9 million at June 30, 2019. Raw material inventory increased to $7.0 million at June 30, 2020, from $5.5 million at June 30, 2019. Work-in-progress inventories increased to $3.8 million as at June 30, 2020, from $1.3 million at June 30, 2019. We manufacture and assemble products, with the result that inventory levels will be substantially higher than for other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were $24.4 million at June 30, 2020 flat from $24.4 million at June 30, 2019. For every dollar we spend on eligible research and development in Canada, we generate approximately fifteen cents in income tax credits. These credits are used to offset our income tax payable. Increases in eligible credits were offset by the recording of the CRA tax ruling denying our SR&ED Notice of Objection that decreased our tax pools by $1.3 million and $1.2 million for expired provincial investment tax credits.

Accounts payable and accrued liabilities increased to $17.1 million at June 30, 2020 from $11.7 million at June 30, 2019.

Long-term debt, including the current portion, was $6.3 million at June 30, 2020, as compared to $2.0 million at June 30, 2019. The increase is a result of the adoption of IFRS 16 which requires the recording of contractual lease liabilities.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
September 24, 2019	$0.055	October 11, 2019	November 1, 2019
November 12, 2019	$0.055	November 22, 2019	December 16, 2019
February 4, 2020	$0.055	February 21, 2020	March 23, 2020
May 12, 2020	$0.055	May 22, 2020	June 15, 2020

Contractual Obligations

Due to the adoption of IFRS 16, as of the transition date of July 1, 2019, the contractual lease obligations have been recorded as lease liabilities of $5.7 million with corresponding right-of-use assets of $5.1 million on our consolidated statements of financial position. Lease liabilities recorded on our consolidated statements of financial position, as at June 30, 2020 were $4.6 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at June 30, 2020, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is $1.4 million; due between two to five years is $3.2 million; and thereafter is $nil.

Contingencies

In March 2017, we received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on our 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of $1.3 million.. We and our advisors have reviewed the applicable tax law and believe our original treatment of these SR&ED claims was appropriate. We filed a Notice of Objection in regards to this matter in June 2017. We received a Notice of Confirmation in February 2020 that our Notice of Objection was denied. We have recorded the adjustment in our financial statements. The impact of this adjustment was a $1.3 million increase in deferred development amortization expense. We have filed a Notice of Appeal in April 2020 to defend our original tax treatment of these SR&ED claims.

Foreign Exchange

Approximately 97% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the accounts receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchased are in U.S. dollars.

As at June 30, 2020, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to $1.366 from $1.313 as at June 30, 2019. This $0.053 exchange difference increased the value of our $37.6 million U.S. dollar net assets by approximately $2.0 million Canadian.

Financial Instruments

We periodically enter into forward contracts to partially manage our exposure to currency fluctuations between Canadian and U.S. dollars. Forward contracts are entered into based on our projected requirements for converting U.S. to Canadian dollars. We do not recognize these contracts in the consolidated financial statements when they are entered into, nor do we account for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes to fair value are recorded in income. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position.

As at June 30, 2020, we had forward contracts in an asset position of $0.1 million (June 30, 2019 - $nil).

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial performance or financial condition.

Transactions Between Related Parties

We had leased a building in Saskatoon under a 10-year lease from Dr. Surinder Kumar, the Chairman of Vecima. The lease was entered into in fiscal 2010 at prevailing market rates at that time and expired at the end of March 2019. The rental expense from this transaction was $nil for the year ended June 30, 2020 (June 30, 2019 - $0.2 million).

Proposed Transactions

There are no proposed asset or business acquisitions or dispositions that our Board of Directors have decided to proceed with or for which our senior management believes confirmation by the Board of Directors is probable.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements and Standards

Adoption of New Accounting Standards in 2020

IFRS 16 - Leases

Effective July 1, 2019, we adopted IFRS 16, which supersedes the previous accounting standards for leases, IAS 17 – *Leases* (IAS 17) and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* (IFRIC 4). IFRS 16 introduced a single accounting model for lessees. A lessee is now required to recognize and disclose on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. IFRS 16 does not substantially change lease accounting for lessors. The impact to the statement of financial position was a right-of-use asset of $5.1 million, reduction in accrued liabilities of $0.8 million, current portion of lease obligations of $1.3 million, long-term lease obligations of $4.4 million and opening retained earnings of $0.2 million.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, which clarifies the application of the recognition and measurement requirements in IAS 12 – *Income Taxes*, when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019, using a full retrospective approach. We adopted IFRIC 23 and determined that the application did not have a material impact on our consolidated financial statements because our policies were in line with the standard.

Standards and Amendments to Standards Issued but not yet Effective

IFRS 3 - Business Combinations

In October 2018, the IASB issued an amendment to IFRS 3 – *Business Combinations* (IFRS 3). The amendment clarifies the definition of a business and assists entities to determine whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also to provide supplementary guidance. The amendment to IFRS 3 may effect whether the future acquisitions are accounted for as a business combination or asset acquisition, along with the resulting allocation of the purchase price between the identifiable assets acquired and goodwill. We will adopt the standard prospectively for acquisitions made on or after the first annual reporting period beginning on or after January 1, 2020. The effects, if any, of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

IAS 1 - Presentation of Financial Statements; and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

On October 31, 2018, IAS 1 and IAS 8 were amended to clarify the definition of "material" and how it should be applied. The amendments also improve the explanation of the definition and ensure consistency across all IFRS standards. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

Amendment to IFRS 16 - Leases

On May 28, 2020, the IASB published *Covid-19-Related Rent Concessions (Amendments to IFRS 16)*, amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with early application permitted. We do not expect the amendment to IFRS 16 will have an effect on our consolidated financial statements.

IFRS 17 - Insurance Contracts

IFRS 17 is a new standard that replaces IFRS 4 – *Insurance contracts*. IFRS 17 aims to provide consistency and transparency in the application of accounting for insurance contracts. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023. We do not expect IFRS 17 will have an effect on our consolidated financial statements.

IFRS 9 - Financial Instruments; IAS 39 - Financial Instruments: Recognition and Measurement; and IFRS 7 - Financial Instruments: Disclosures

Amendments to these accounting standards provides temporary, but mandatory, relief from specific hedge accounting requirements to address potential effects of the uncertainty in the lead up to interbank offer rates reform (IBOR reform). The amendments are effective for annual reporting periods beginning on or after January 1, 2020. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

IAS 37 - Provisions

On May 14, 2020 the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

Disclosure Controls and Procedures

Disclosure controls and procedures were designed to provide reasonable assurance that material information relating to Vecima is made known by us to others, particularly during the period in which annual filings are being prepared, and information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at June 30, 2020.

Internal Control over Financial Reporting

Internal controls over financial reporting ("ICFR") were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of internal controls. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Accordingly, even if internal controls are effective, they can only provide reasonable assurance of achieving their controls.

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at June 30, 2020 in accordance with Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at June 30, 2020. There has been no change in the internal controls over financial reporting that occurred during the period beginning on July 1, 2019 and ended on June 30, 2020 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting

Business Combination

On May 31, 2019, we completed an acquisition of substantially all of the operating assets of ContentAgent, a software and solutions company specializing in video-ingest and delivery automation solutions for the media industry.

We determined and allocated the purchase price on acquisition to the tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3 Business Combinations. The purchase price allocation process requires that we use significant estimates and assumptions, including fair value estimates, as of the acquisition date.

Goodwill recorded in connection with the acquisition is primarily attributable to: the expected future earnings potential as a result of expected synergies arising from the consolidation of ContentAgent and our existing business; expected growth in the underlying markets which ContentAgent serves; and the strength of the assembled workforce.

Legal Proceedings

From time to time, we may be involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss and, when the amount of the loss is quantifiable, a provision for the loss is made, based on management's assessment of the most likely outcome. We do not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

If it becomes probable that we will be held liable for claims against our Company, we will recognize a provision during the period in which the change in probability occurs, which could be material to our consolidated statements of comprehensive income or consolidated statements of financial position.

Risks and Uncertainties and COVID-19

Our financial performance, share price, business prospects and financial condition are subject to numerous risks and uncertainties, and are affected by various factors outside the control of management. Prior to making any investment decision regarding Vecima, investors should carefully consider, among other things, the risks described herein (including the factors outlined under the heading “Forward-Looking Information” below) and the risk factors set forth in our Annual Information Form for our most recently completed fiscal year, which are incorporated by reference herein. These risks and uncertainties are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business. If any of these risks occurs, our financial performance, share price, business prospects and financial condition could be materially adversely affected.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by Dr. Kumar through either direct or indirect ownership of the Company's common shares. As at June 30, 2020, Dr. Kumar collectively owned approximately 60.2% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities.

COVID-19

We have been closely monitoring the impact of COVID-19. At this time, our industry is recognized as an essential service in the areas where we operate. We have taken steps to allow most of our workforce to work remotely. We have also implemented all of the social distancing and increased facility sanitization guidelines and suspended all travel. In addition, we have increased production where possible to get ahead of any staffing challenges we might encounter.

It is too soon to gauge the impacts of the current outbreak, given the many unknowns related to COVID-19. These include the duration and severity of the outbreak. COVID-19 is altering business and consumer activity in affected areas and beyond. The global response to the COVID-19 outbreak has resulted in, among other things, border closures, severe travel restrictions, the temporary shut-down of non-essential services and extreme fluctuations in financial and commodity markets. Additional measures may be implemented by one or more governments in jurisdictions where we operate. Labour shortages due to illness, Company or government imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction or cessation of all or a portion of our operations. The extent to which COVID-19 and any other pandemic or public health crisis impacts our business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the economies in which we operate and could continue to negatively impact stock markets, including the trading price of our shares, Potential impacts include, but are not limited to, an impairment of long-lived assets, an impairment of short-term investments and a change in the estimated credit loss on accounts receivable.

Any of these developments, and others, could have a material adverse effect on our business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in our financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of long-lived assets, impairments of short-term investments and a change in the estimated credit losses on accounts receivable.

Our financial priorities remain unchanged. Importantly we continue to have a very strong balance sheet. We are continuing with the payment of our quarterly dividend.

Outstanding Share Data

As at September 22, 2020, we had 22,495,807 common shares outstanding as well as stock options outstanding that are exercisable for an additional 359,400 common shares, and performance share units outstanding that are exercisable for an additional 578,834 common shares.

On December 17, 2018, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired 10,356 common shares in fiscal 2019. The normal course issuer bid expired on December 19, 2019.

On January 2, 2020, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired 7,068 common shares of Vecima for cancellation in Q4 fiscal 2020 and 13,380 common shares in fiscal 2020. The normal course issuer bid commenced on January 6, 2020 and expires on January 5, 2021.

Additional Information

Financial Governance

Our management is responsible for the preparation and presentation of the consolidated financial statements and notes thereto and the MD&A. Additionally, it is management’s responsibility to ensure that we comply with the laws and regulations applicable to our activities.

Our management is accountable to the Board, each member of which is elected annually by the shareholders of the Company. The Board is responsible for reviewing and approving the consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of three directors, all of whom are independent.

External auditors are appointed annually by the shareholders to conduct an audit of the annual consolidated financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit, as well as to assist the members of the Audit Committee in discharging their responsibilities.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions.

Forward-looking information in this MD&A includes but is not limited to statements that: we are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1 and we expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized; we believe that our customer's need for new systems is nearing saturation, while we anticipate continued ordering activity for TerraceQAM, overall, we believe the deployment of the current generation platform is nearing saturation and we are working with customers on the next generation platform; and we believe that our current cash and short-term investments of $34.5 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. Forward-looking information also includes our Strategy, our Industry Developments and our COVID-19 Business Update and Outlook in this MD&A.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: the strength of our balance sheet; the present or potential value of our core technologies, business operations and asset holdings; our ability to continue our relationships with a few key customers; our ability to deliver products associated with key contracts; our ability to manage our business and growth successfully; our ability to meet customers' requirements for manufacturing capacity; our ability to develop new products and enhance our existing products; our ability to expand current distribution channels and can develop new distribution channels; our ability to recruit and retain management and other qualified personnel crucial to our business; we are not required to change our pricing models to compete successfully; our third party suppliers and contract manufacturers upon which we rely continue to meet our needs; our intellectual property is not infringed upon; we are not subject to warranty or product liability claims that harm our business; our ability to successfully implement acquisitions; our ability to manage risks associated with our international operations; currency fluctuations do not adversely affect us; growth in our key markets continues; our ability to adapt to technological change, new products and standards; we are not subject to increased competition that has an adverse effect on our business; we are not subject to competition from new or existing technologies that adversely affect our business; we are not subject to any material new government regulation of our products; and, no third parties allege that we infringe on their intellectual property. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this MD&A. Known risk factors include, among others: our statement of financial position, as well as the value of our core technologies, business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few key customers; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success

depends on our ability to develop new products and enhance our existing products; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; risks associated with our international operations; currency fluctuations may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; government regulation of our products and new government regulation could harm our business; third parties may allege that we infringe on their intellectual property; and epidemics, pandemics or other public health crises, including the current outbreak of COVID-19. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties and COVID-19" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward-looking information to reflect future results, events or developments, except as required by law.

VECIMA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Vecima Networks Inc. ("Vecima", or the "Company") and its subsidiaries and all the information in Management's Discussion and Analysis (MD&A) are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated financial statements include certain amounts that are based on management's best estimates and judgments and, in their opinion, present fairly, in all material respects, Vecima's financial position, results of operations, and cash flows. Management has prepared the financial information presented elsewhere in the MD&A and has ensured that it is consistent with the consolidated financial statements.

Management has a system of internal controls designed to further enhance the integrity of the consolidated financial statements and to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system is supported by management communication to employees about its policies on ethical business conduct. Management believes these internal controls provide reasonable assurance that the transactions are properly authorized and recorded; financial records are reliable and form a proper basis for the preparation of the consolidated financial statements; and the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility through its Audit Committee, which is entirely comprised of independent directors.

The Audit Committee meets periodically with management, and annually with the external auditors, to discuss internal controls over the financial reporting process, auditing matters, and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the MD&A, the consolidated financial statements, and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements, for the year ended June 30, 2020, have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Grant Thornton has full and free access to the Audit Committee.

/s/ "Sumit Kumar"
Sumit Kumar
Chief Executive Officer
DATE: September 22, 2020

/s/ "Dale Booth"
Dale Booth
Chief Financial Officer
DATE: September 22, 2020

GrantThornton

Independent Auditor's Report

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To the Shareholders of Vecima Networks Inc.

Opinion

We have audited the consolidated financial statements of Vecima Networks Inc. (the "Company") which comprise the consolidated statements of financial position as at June 30, 2020 and 2019, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of Vecima Networks Inc. as at June 30, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing these consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

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auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Irwin.

Grant Thornton LLP

Toronto, Canada
September 22, 2020

Chartered Professional Accountants
Licensed Public Accountant

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VECIMA NETWORKS INC.
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

As at	Note		**June 30, 2020**		June 30, 2019
Assets					
Current assets					
Cash and cash equivalents	6	**$**	**17,350**	$	19,834
Short-term investments	7, 28		**17,165**		24,569
Accounts receivable	8		**24,908**		15,154
Income tax receivable			**333**		437
Inventories	9		**17,212**		12,724
Prepaid expenses			**2,051**		2,235
Contract assets	21(b)		**646**		187
Total current assets			**79,665**		75,140
Non-current assets					
Property, plant and equipment	10		**11,801**		12,526
Right-of-use assets	4(c)		**4,010**		-
Goodwill	11		**15,487**		15,131
Intangible assets	12		**69,200**		67,887
Other long-term assets			**1,301**		1,017
Investment tax credits	14		**24,374**		24,355
Deferred tax assets	15		**4,460**		4,714
Total assets		**$**	**210,298**	$	200,770
Liabilities and shareholders' equity					
Current liabilities					
Accounts payable and accrued liabilities	17	**$**	**17,105**	$	11,699
Provisions	18		**492**		804
Income tax payable			**130**		55
Deferred revenue	21(c)		**4,960**		4,046
Current portion of long-term debt	19		**1,698**		250
Total current liabilities			**24,385**		16,854
Non-current liabilities					
Provisions	18		**400**		332
Deferred revenue	21(c)		**602**		763
Deferred tax liability	15		**536**		324
Long-term debt	19		**4,613**		1,729
Total liabilities			**30,536**		20,002
Shareholders' equity					
Share capital	20(a)		**3,161**		1,916
Reserves			**3,838**		4,104
Retained earnings			**170,665**		173,738
Accumulated other comprehensive income			**2,098**		1,010
Total shareholders' equity			**179,762**		180,768
Total liabilities and shareholders' equity		**$**	**210,298**	$	200,770

Contingent liability - Note 32; Subsequent events - Note 34

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ "Kent Elliott" — Kent Elliott, Director

/s/ "Ben Colabrese" — Ben Colabrese, Director

VECIMA NETWORKS INC.
Consolidated Statements of Comprehensive Income (Loss)
(in thousands of Canadian dollars, except per share amounts)

Years ended June 30,	Note		**2020**		2019
Sales	21(a), 26	**$**	**96,416**	$	85,032
Cost of Sales			**44,112**		40,155
Gross Profit			**52,304**		44,877
Operating expenses					
Research and development			**22,173**		18,973
Sales and marketing			**14,048**		14,112
General and administrative			**16,280**		16,596
Restructuring costs	22		**-**		2,176
Share-based compensation	20(d)		**59**		112
Other (income) expense	23		**(479)**		(418)
Total operating expenses			**52,081**		51,551
Operating income (loss)			**223**		(6,674)
Finance income	24		**633**		879
Foreign exchange gain (loss)			**1,340**		(66)
Income (loss) before income taxes			**2,196**		(5,861)
Income tax expense (recovery)	15		**390**		(2,402)
Net income (loss)		**$**	**1,806**	$	(3,459)
Other comprehensive income (loss)					
Item that may be subsequently reclassed to net income					
Exchange differences on translating foreign operations			**1,088**		(67)
Comprehensive income (loss)		**$**	**2,894**	$	(3,526)
Net income (loss) per share					
Basic	25	**$**	**0.08**	$	(0.15)
Diluted	25	**$**	**0.08**	$	(0.15)
Weighted average number of common shares					
Shares outstanding - basic	25		**22,411,612**		22,362,031
Shares outstanding - diluted	25		**22,444,806**		22,362,031

The accompanying notes are an integral part of these consolidated financial statements.

VECIMA NETWORKS INC.
Consolidated Statements of Changes in Equity
(in thousands of Canadian dollars)

	Note	Share capital	Reserves	Retained earnings	Accumulated other comprehensive income	Total
Balance as at June 30, 2018		$ 1,756	$ 4,041	$ 182,309	$ 1,077	$ 189,183
Net loss		-	-	(3,459)	-	(3,459)
Other comprehensive loss		-	-	-	(67)	(67)
Dividends		-	-	(4,920)	-	(4,920)
Shares repurchased and cancelled		(2)	-	(192)	-	(194)
Shares issued by exercising options		162	(49)	-	-	113
Share-based payment expense		-	112	-	-	112
Balance as at June 30, 2019		$ 1,916	$ 4,104	$ 173,738	$ 1,010	$ 180,768
Balance as at June 30, 2019		**$ 1,916**	**$ 4,104**	**$ 173,738**	**$ 1,010**	**$ 180,768**
IFRS 16 transition impact	4(b)	-	-	160	-	160
Adjusted balance as at June 30, 2019		**$ 1,916**	**$ 4,104**	**$ 173,898**	**$ 1,010**	**$ 180,928**
Net income		-	-	1,806	-	1,806
Other comprehensive income		-	-	-	1,088	1,088
Dividends		-	-	(4,932)	-	(4,932)
Shares repurchased and cancelled		(2)	-	(107)	-	(109)
Shares issued by exercising options		1,247	(325)	-	-	922
Share-based payment expense		-	59	-	-	59
Balance as at June 30, 2020		**$ 3,161**	**$ 3,838**	**$ 170,665**	**$ 2,098**	**$ 179,762**

The accompanying notes are an integral part of these consolidated financial statements.

VECIMA NETWORKS INC.
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

Years ended June 30,	Note	**2020**	2019
OPERATING ACTIVITIES			
Net income (loss)		**$ 1,806**	$ (3,459)
Adjustments for non-cash items:			
(Gain) loss on sale of property, plant and equipment	23	**(455)**	82
Gain on sale of intangible assets		**-**	(202)
Depreciation and amortization	31	**16,175**	11,670
Share-based compensation		**59**	112
Income tax expense		**(51)**	70
Deferred income tax expense (recovery)		**441**	(2,472)
Interest expense		**297**	200
Interest income		**(728)**	(1,047)
Net change in working capital	31	**(7,315)**	3,672
Decrease in other long-term assets		**(267)**	(3)
(Decrease) increase in provisions		**(274)**	265
Increase in investment tax credits		**(201)**	(67)
Income tax received		**173**	2,413
Income tax paid		**(485)**	(741)
Interest received		**728**	1,047
Interest paid		**(70)**	(98)
Cash provided by operating activities		**9,833**	11,442
INVESTING ACTIVITIES			
Capital expenditures, net	31	**(1,117)**	(2,727)
Purchase of short-term investments		**(6,083)**	(2,007)
Proceeds from sale of short-term investments		**13,487**	24,098
Deferred development costs	12	**(12,250)**	(16,057)
Business acquisition	5	**-**	(823)
Cash (used in) provided by investing activities		**(5,963)**	2,484
FINANCING ACTIVITIES			
Proceeds from government grants	13	**98**	221
Principal payments of lease liabilities	19	**(1,675)**	-
Repayment of long-term debt	19	**(271)**	(250)
Repurchase and cancellation of shares	20(a)	**(109)**	(194)
Dividends paid		**(4,932)**	(4,920)
Issuance of shares through exercised options	20(a)	**922**	113
Cash used in financing activities		**(5,967)**	(5,030)
Net (decrease) increase in cash and cash equivalents		**(2,097)**	8,896
Effect of change in exchange rates on cash		**(387)**	(96)
Cash and cash equivalents, beginning of year		**19,834**	11,034
Cash and cash equivalents, end of year		**$ 17,350**	$ 19,834

The accompanying notes are an integral part of these consolidated financial statements.

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1. NATURE OF THE BUSINESS

Vecima Networks Inc. ("Vecima" or the "Company") is a company continued under the Canadian Business Corporations Act ("CBCA") and commenced operations in 1988. The Company's registered office is located at 771 Vanalman Avenue, Victoria, B.C., V8Z 3B8. The Company's common shares are traded on the Toronto Stock Exchange under the trading symbol "VCM".

The Company's Video and Broadband Solutions business designs, manufactures and sells products for the cable industry that allow service providers a cost-effective "last mile" solution for both video and broadband access, especially in the business services market segment. The Company's Content Delivery and Storage business includes solutions and software for industries and customers that focus on storing, protecting, transforming, and delivering high-value media assets. The Company's Telematics business provides fleet managers key information and analytics they require to optimally manage their business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for each of the years ended June 30, 2020 and 2019, were approved by the Board of Directors and authorized for issue on September 22, 2020.

(b) Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in thousands of Canadian dollars, unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The accounting polices set out below have been applied consistently in all material respects. Standards and guidelines not effective for the current accounting period are described in Note 2(y).

(c) Basis of consolidation (subsidiaries)

The consolidated financial statements include the accounts of the Company and of its subsidiaries. Subsidiaries are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns.

Subsidiaries are fully consolidated from the date on which control is obtained by the Company. All intercompany transactions and balances are eliminated upon consolidation. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income (loss) from the effective date of acquisition and up to the effective date of disposal.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits that have an original maturity of less than three months.

(e) Revenue recognition

General policy

The Company earns revenue from the sale of products and the rendering of services. Revenue is measured based on the value of the expected consideration in a contract with a customer and excludes sales taxes and other amounts we collect on behalf of third parties. We recognize revenue when control over a product or service is transferred to a customer. When our right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, we recognize revenue in the amount to which we have a right to invoice.

For bundled arrangements, we account for individual products and services when they are separately identifiable and the customer can benefit from the product or service on its own or with other readily available resources. The total arrangement consideration is allocated to each product or service included in the contract with the customer based on its stand-alone selling price. We generally determine stand-alone selling prices based on the observable prices at which we sell products separately without a service contract and prices for non-bundled service offers with the same range of services, adjusted for market conditions and other factors, as appropriate. When similar products and services are not sold separately, we use the expected cost plus margin approach to determine stand-alone selling prices. Products and services purchased by a customer in excess of those included in the bundled arrangement are accounted for separately.

A contract asset is recognized in the consolidated statements of financial position when our right to consideration from the transfer of products or services to a customer is conditional on our obligation to transfer other products or services. Contract assets are transferred to trade receivables when our right to consideration becomes conditional only as to the passage of time. A contract liability, such as deferred revenue, is recognized in the consolidated statements of financial position when we receive consideration in advance of the transfer of the products or services to the customer. Contract assets and liabilities relating to the same contract are presented on a net basis.

Incremental costs of obtaining a contract with a customer, principally comprised of sales commissions and prepaid contract fulfillment costs, are included in contract costs in the consolidated statements of financial position, except where the amortization period is one year or less, in which case costs of obtaining a contract are immediately expensed. Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services.

Recognition of revenue from products and services

Revenue for each performance obligation is recognized either over time or at a point-in-time. For performance obligations performed over time, revenue is recognized as the service is provided. These services are typically provided, and thus recognized, on a monthly basis. Revenue for performance obligations satisfied at a point-in-time is recognized when control of the product or service transfers to the customer under the terms and conditions of the contract. Outlined below are the various performance obligations from contracts with customers and when completed performance obligations are recognized.

Revenue type	Timing of satisfaction of the performance obligation
Product sales:	
Hardware products with right-to use software license	When transfer of control has occurred
Provision of services:	
After-sales support and maintenance; extended warranty	Over the course of the applicable service term
Monthly subscription services	As the service is provided over time
Consulting, engineering and installation services	When the service is performed

As a practical expedient, the Company does not adjust the contracted amount of consideration for the effects of the financing component when, at the inception of the contract, the expected effect of the financing component is not significant at the individual contract level or the period between the transfer of products or services and the customer's payment is expected to be within 12 months.

Rental income

Rental income from operating leases of investment properties is accounted for on a straight-line basis over the term of the lease.

(f) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. As part of the Company's process for determining the fair value of the acquisition, third-party valuation specialists are engaged. Acquisition related transaction costs are expensed as incurred, and, depending on the nature of the expense, is recorded in either general and administration expense or sales and marketing expense in the consolidated statements of comprehensive income (loss).

Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair values at the date of acquisition. The excess of the purchase consideration over the fair value of identifiable assets acquired is recorded as goodwill in the consolidated statements of financial position. If the fair value of identifiable net assets acquired exceeds the purchase consideration, the difference is recognized in other expense in the consolidated statements of comprehensive income (loss) as a bargain purchase gain.

(g) Inventories

Inventories consist of raw materials, work-in-progress and finished goods. Inventories of raw materials, which consist of parts, components and subscriber equipment, are recorded at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. Work-in-progress inventory is recorded at the lower of cost and replacement cost. Finished goods inventory, which consists of finished products, is recorded at the lower of cost and net realizable value.

Manufactured products include direct materials, direct labour and a reasonable allocation of overhead costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

(h) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation, accumulated impairment losses and related government assistance received. Costs include expenditures that are directly attributable to the acquisition of the asset, including any financing expense for capital investment projects under construction. When significant components of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives. Depreciation is determined on a declining-balance basis over the estimated useful life of the asset, assuming that no residual value exists. Residual value is the estimated amount that the Company would currently obtain from the disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Both the residual values and the useful lives of property, plant and equipment are reviewed annually. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Property, plant and equipment includes certain investment property held either to earn rental income or for capital or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation policies and the estimated useful lives for the current and comparative periods for investment property are consistent with those described for other property, plant and equipment.

(i) Goodwill

Goodwill is an indefinite-life asset that is acquired as part of business acquisitions and recorded as the excess of the consideration transferred over the fair value of the net identifiable assets acquired. Goodwill is carried at this value less any accumulated impairment losses.

(j) Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets are categorized as either indefinite-life or finite-life assets.

(i) Indefinite-life intangible assets

Indefinite-life intangible assets consist of trademarks and other licenses.

Trademarks and other licenses are recorded at cost, which represents the fair value at the date of acquisition.

Trademarks and other licenses are granted for a period of ten years. There is the option of renewal at a nominal cost to the Company. It is expected that the demand and use for these licenses will continue to grow in the foreseeable future. As a result, these assets are assessed as having indefinite lives and as such, are not subject to amortization.

(ii) Finite-life intangible assets

Customer contracts and relationships acquired in business acquisitions are amortized on a straight-line basis over their estimated useful lives of ten years. Patents and intellectual property are amortized on a straight-line basis over their estimated useful lives ranging from three to seven years.

(k) Government assistance and grants

Government assistance and grants are recognized where there is reasonable assurance that all conditions attached to the assistance or grant will be met and the assistance or grant claimed will be received. The claims are subject to review by the respective agencies before the funding can be released. When the assistance or grant relates to an expense item, it is recognized as income over the period necessary to match the assistance or grant on a systematic basis to the costs that it is intended to compensate. Where the assistance or grant relates to an asset, the assistance or grant reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of the depreciable asset through a reduced depreciation charge.

(l) Research and development

Research costs are expensed in the year in which they are incurred. Development costs are capitalized and deferred as finite-life intangible assets when the Company can demonstrate:

- technical feasibility of completing the development so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably measure the expenditure during development; and
- its ability to use or sell the intangible asset.

Deferred development costs are amortized on a straight-line basis over their useful lives, representing the Company's assessment of the estimated average life cycle of the associated products.

The Company develops new electronic communications products for the cable and telecommunication markets. Development costs include direct salaries, materials and an allocation of general and administrative overhead, which relate to products being developed, less applicable government assistance and investment tax credits claimed.

Costs relating to projects which are not commercialized or which cease to be marketable are charged against income in the year in which this determination is made.

The Company earns investment tax credits on eligible Scientific Research and Experimental Development ("SR&ED") expenses incurred. These investment tax credits are recorded in the accounts as a reduction of the costs to which they relate and are amortized over the same period as the deferred development costs.

(m) Leases

See Note 2(x) - *Adoption of new accounting standards and amendments to accounting standards,* for significant changes to leases that have been applied effective July 1, 2019. Prior to July 1, 2019, leases were classified either as finance or operating, depending upon the terms and conditions of the contracts. Where the Company was the lessee, asset values recorded under finance leases were amortized on a declining-balance basis over its estimated useful life. Obligations recorded under finance leases were reduced by lease payments, net of imputed interest.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that 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 assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

To the extent the funds are borrowed specifically for the purpose of obtaining qualifying assets, the Company capitalizes the actual borrowing costs incurred on those funds during the period. To the extent the funds are from general borrowings, the Company determines borrowing costs eligible for capitalization by applying a capitalization rate to the expenditure on that asset.

All other borrowing costs are recognized in net income in the period in which they are incurred.

(o) Impairment

The Company reviews, at each reporting date, whether there are any indications that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount, which is the higher of the fair value less cost of disposal and its value-in-use. Value-in-use is the estimated future cash flows discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment is recognized when the carrying amount of an asset or cash-generating unit (CGU) is greater than the recoverable amount. Impairment losses are recognized in the period in which it occurs in the expense categories consistent with the function of the impaired asset.

Indefinite-life intangible assets are tested for impairment in the fourth quarter of every year and when events or changes in circumstances indicate that an asset might be impaired.

Finite-life intangible assets are assessed for impairment indicators at each reporting date. In addition, intangible assets with a finite-life, which are not yet available for use, such as deferred development costs for products still under development, are tested for impairment at least annually.

Goodwill, representing the excess of the purchase price over fair value of the net identifiable assets of acquired businesses, is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU 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.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversals are recognized in the period in which it occurs in the expense categories consistent with the function of the asset.

When the Company determines that an asset meets the assets held for sale criteria, the assets are reported at the lower of the carrying amount or fair value less the cost of disposal.

(p) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of losses and investment tax credits available to be carried forward to future years, for tax purposes, that are more likely than not to be realized. The amounts recognized in respect of deferred income tax assets and liabilities are based upon the expected timing of the reversal of temporary differences or usage of tax losses and the application of substantively enacted tax rates at the time of reversal or usage.

The Company accounts for changes in substantively enacted tax rates affecting deferred income tax assets and liabilities, in full, in the period in which the changes were substantively enacted. The Company accounts for the changes in the estimates of prior year(s) tax balances as estimate revisions in the period in which the change in estimate arose. The Company has selected these methods as the presentation on the statements of financial position since it is more consistent with the liability method of accounting for income taxes.

The Company incurs research and development expenditures that are eligible for investment tax credits. The recorded investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities. The investment tax credits for research and development are reflected as a reduction in the cost of the assets or expenses to which it relates.

(q) Foreign Currency Translation

Functional and presentation currency

The Company’s consolidated financial statements are presented in Canadian dollars, which is also the parent entity’s functional currency. Each subsidiary of the Company determines its own functional currency and items included in the financial statements of each subsidiary are measured using the functional currency of the parent entity.

Transactions that are denominated in foreign currencies are initially recorded at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing exchange rate at the reporting date. Non-monetary assets and liabilities measured at cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. Revenues and expenses are translated using average rates for the period, except for amortization, which is translated on the same basis as the related asset. Exchange gains and losses are reflected in net income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The revenue and expenses of foreign operations are translated to Canadian dollars at exchange rates at the date of the transaction.

Foreign currency differences are recognized in other comprehensive income. When a foreign operation is disposed of, in whole, the relevant amount in the foreign currency translation account is transferred to earnings as part of the gain or loss on disposal.

(r) Financial instruments

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income (“FVOCI”), and fair value through profit and loss (“FVTPL”).

Cash and cash equivalents, and trade and other receivables are measured at amortized cost. The carrying amount reported in the consolidated statements of financial position is at historical cost, which approximates their fair value due to the short-term maturity of these instruments.

Short-term investments are classified as FVTPL; presented in the consolidated statements of financial position under current assets; recorded at fair value on the date of acquisition, including related transaction costs; and adjusted to fair value at each reporting date. The corresponding unrealized gains and losses are recorded in profit or loss in the consolidated statements of comprehensive income (loss).

Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL.

Trade payable and accrued liabilities, and long-term debt are the Company's financial liabilities and are measured and recorded at amortized cost.

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates. The most frequently used derivative products are foreign currency forward purchase contracts. We do not use derivative financial instruments for speculative or trading purposes. Derivative financial instruments are recognized in the consolidated statements of financial position at their fair value, with changes in fair value recorded in the consolidated statements of comprehensive income (loss) in foreign exchange gain (loss).

We measure the allowance for doubtful accounts and impairment of contract assets based on an expected credit loss (ECL) model, which takes into account current economic conditions, historical information, and forward-looking information. We use the simplified approach for measuring losses based on the lifetime ECL for trade and other receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating expenses in the consolidated statements of comprehensive income (loss).

The cost of issuing debt is included as part of long-term debt and is accounted for at amortized cost using the effective interest method. The cost of issuing equity is reflected in the consolidated statements of changes in equity as a charge to the retained earnings.

(s) Fair value of financial instruments

The fair value of financial instruments is generally determined as follows:

The fair value of long-term debt with fixed rates of interest is estimated using discounted cash flows based on current rates of interest for similar lending arrangements.

The fair values of derivatives are based on values quoted by the counterparties to the agreements.

The fair value of short-term financial assets and liabilities approximate their respective carrying values due to the short-term nature of these financial instruments.

(t) Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain.

The warranty provision consists of estimated parts and labour costs expected to be incurred for future product repairs provided under the Company's warranty obligations. The provisions are recorded when the product is sold and are based on contract terms, current sales levels and current information about prior claims and returns for all products sold. As a consequence of continuously incorporating complex technologies to new products, changes in these estimates could result in additional allowances or changes to recorded allowances in future periods.

(u) Net income (loss) per share

Basic net income (loss) per share is calculated by dividing net income (loss) for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by using the treasury stock method for equity-based compensation. The diluted weighted average number of common shares outstanding is calculated by taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date unless it is anti-dilutive. The treasury stock method is used to determine the dilutive effect of stock options. The treasury stock method recognizes the use of proceeds that could be obtained upon the exercise of options in computing diluted net income (loss) per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period. Only the Company's stock options have a dilutive potential on common shares.

(v) Share-based compensation

The Company has a stock option plan for directors, officers, and employees of the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any share capital reserves recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to offerees using the Black-Scholes and binomial option-pricing models. The cost of the options granted is recognized and expensed over the vesting period in which service conditions are fulfilled. When an offeree leaves the Company, their vested options expire in 90 days. Forfeitures are estimated throughout the vesting period based on past experience and future expectations, and adjusted upon actual option vesting. No expense is recognized for options that do not ultimately vest.

(w) Treasury shares

Equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in income on the purchase, sale, issue or cancellation of the Company’s own equity instruments. Any difference between the carrying amount and the consideration paid is recognized within shareholders' equity. Treasury shares are immediately cancelled upon acquisition.

(x) Adoption of new accounting standards and amendments to accounting standards

IFRS 16 – Leases (IFRS 16)

Effective July 1, 2019, the Company adopted IFRS 16, which supersedes the previous accounting standards for leases, IAS 17 – *Leases* (IAS 17) and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* (IFRIC 4). IFRS 16 introduced a single accounting model for lessees. A lessee is now required to recognize and disclose on its statements of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. IFRS 16 does not substantially change lease accounting for lessors.

The Company adopted IFRS 16 using the modified retrospective approach whereby the financial statements of prior periods presented are not restated. Prior periods continue to be reported under IAS 17 and IFRIC 4. The accounting policy for leases and the impact resulting from the adoption of IFRS 16 is disclosed below in Note 4.

IFRIC 23 – Uncertainty over income tax treatments (IFRIC 23)

In June 2017, the IASB issued IFRIC 23, which clarifies the application of the recognition and measurement requirements in IAS 12 – *Income Taxes*, when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019, using a full retrospective approach. The Company has adopted IFRIC 23 and determined that the application did not have a material impact on the Company’s consolidated financial statements because its existing policies were in line with the standard.

(y) Accounting standards issued but not yet applied

The following new or amended standards and interpretations issued by the IASB that are effective after the Company's June 30, 2020 year-end date and have not yet been adopted by the Company:

IAS 1 – Presentation of financial statements (IAS1); and IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8)

On October 31, 2018, IAS 1 and IAS 8 were amended to clarify the definition of "material" and how it should be applied. The amendments also improve the explanation of the definition and ensure consistency across all IFRS standards. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 3 – Business combinations (IFRS 3)

In October 2018, the IASB issued an amendment to IFRS 3 – *Business Combinations* (IFRS 3). The amendment clarifies the definition of a business and assists entities to determine whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also to provide supplementary guidance. The amendment to IFRS 3 may effect whether the future acquisitions are accounted for as a business combination or asset acquisition, along with the resulting allocation of the purchase price between the identifiable assets acquired and goodwill. The Company will adopt the standard prospectively for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The effects, if any, of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

Amendment to IFRS 16 – Leases (IFRS 16)

On May 28, 2020, the IASB published *Covid-19-Related Rent Concessions (Amendments to IFRS 16)*, amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with early application permitted.

IFRS 17 – Insurance contracts (IFRS 17)

IFRS 17 is a new standard that replaces IFRS 4 – *Insurance contracts*. IFRS 17 aims to provide consistency and transparency in the application of accounting for insurance contracts. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023.

IFRS 9 – Financial instruments (IAS 9), IAS 39 – Financial instruments: recognition and measurement (IAS 39); and IFRS 7 – Financial instruments: disclosures (IFRS 7)

Amendments to these accounting standards provides temporary, but mandatory, relief from specific hedge accounting requirements to address potential effects of the uncertainty in the lead up to interbank offer rates reform (IBOR reform). The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

Amendments to IAS 37 – Provisions (IAS 37)

On May 14, 2020 the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted.

We do not expect IFRS 17 will have an effect on our consolidated financial statements. We are assessing the impacts, if any, the remaining standards or amendments will have on our consolidated financial statements.

3. USE OF JUDGMENT AND ESTIMATES

The preparation of the Company's consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments in future periods to the carrying amount of the affected asset or liability.

(a) Use of judgment

Functional currency

The Company assesses the primary economic environment in which we operate by considering factors such as the currency for which sales of goods and services are denominated and settled, the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labour, material and other costs of providing goods and services.

Sales by Vecima Networks Inc., and Vecima Networks (USA) Inc. are primarily transacted in U.S. dollars ("USD"). The cost of materials is denominated in both Canadian and U.S. dollars. The labour cost is denominated fully in Canadian dollars. Management pays close attention to gross margin, and the setting of prices in USD is influenced by costs which are primarily influenced by the Canadian dollar. Due to the mix of indicators for its primary economic environment, the Company assesses the secondary indicators of finance activities and receipts from operations. Equity and debt financing activities are both denominated in Canadian dollars and receipts from operations are retained primarily in Canadian dollars. Based on all the factors, the Company determined that the functional currency for the entities listed above is the Canadian dollar.

Sales by Vecima Technology Inc. (a subsidiary of the Company) are primarily transacted in USD. The cost of materials is denominated in USD. The labour cost is denominated fully in USD. Equity and debt financing activities are both denominated in USD and receipts from operations are retained primarily in USD. Based on all these factors, the Company determined that the functional currency for Vecima Technology Inc. is USD.

Sales by Concurrent Content Solutions Corporation (a subsidiary of the Company) are primarily transacted in Japanese Yen. The cost of materials is denominated in Japanese Yen, however, certain purchases of inventory are made in USD. The labour cost is denominated fully in Japanese Yen. Equity and intercompany financing activities are denominated in both Japanese Yen and USD and receipts from operations are retained in Japanese Yen. Based on all these factors, the Company determined that the functional currency for Concurrent Content Solutions Corporation is the Japanese Yen.

Sales by Vecima Technology (UK) Ltd. (a subsidiary of the Company) are primarily transacted in Great British Pounds (GBP). The cost of materials is denominated in GBP. The labour cost is denominated fully in GBP. Equity and intercompany financing activities are denominated in either GBP or USD and receipts from operations are retained primarily in GBP. Based on all these factors, the Company determined that the functional currency for Vecima Technology (UK) Ltd. is GBP.

Revenue from contracts with customers and deferred revenue

Significant judgment may be required in determining the distinct performance obligations within a contract and the allocation of transaction price to multiple element performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price for each. If the stand-alone selling price is not observable, the Company estimates the stand-alone selling price for each distinct performance obligation based on related cost plus margin, taking into account reasonably available information relating to the market conditions, entity-specific factors, and the class of customer.

Deferred revenue consists of service contracts and upfront customer activation and connection fees where billings are recorded and received prior to the rendering of the associated service. Deferred revenue may be impacted by the allocation of the transaction price where a component of the contract includes such services. Billings for services are recognized as revenue in the period in which the services are provided. Upfront customer activation and connection fees are recognized over the expected term of the customer relationship.

Deferred development costs

Development costs are capitalized in accordance with the accounting policy in Note 2(l). Capitalization of costs is initiated based on management's judgment that technological and economic feasibility is confirmed, usually when the research project is approved to begin development. In assessing whether these costs are impaired, management makes assumptions regarding the expected future cash flows from the project, discount rates to be applied and the expected periods of benefit.

Income taxes

We make certain judgments in interpreting tax rules and regulations when we compute income tax expense; and when we evaluate whether a deferred tax asset can be recovered based on an assessment of existing tax laws, estimates of future profitability and tax planning strategies.

Leases

Specific judgments regarding leases is addressed in Note 4(e) below.

(b) Use of estimates

Impairment of non-financial assets

Impairment exists when the carrying value of a tangible asset, intangible asset or cash-generating unit, including goodwill, exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value-in-use. The value-in-use calculation is based on a discounted cash flow model, where the cash flow is derived from the budget extrapolated over the next three to five years, exclusive of restructuring activities or significant future investments to enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used as well as the expected future cash inflows and growth rate used to extrapolate beyond the three to five years.

Share-based compensation

The Company measures the cost of share-based compensation transactions with reference to the fair value of the options issued at the date they were granted. Estimated fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option and the volatility. The assumptions and models used for estimating fair value for share-based compensation are disclosed in Note 20(d).

Income taxes

Deferred tax assets are recognized for all unused tax losses and investment tax credits ("ITCs") to the extent that it is probable that taxable profit will be available against which the losses and ITCs can be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with tax planning strategies.

Allocation of purchase consideration to acquired assets and assumed liabilities

The Company allocates the purchase price of an acquisition to the tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3. The purchase price allocation process requires the Company to use significant estimates and assumptions, including fair value estimates, as of the acquisition date. Refer to Note 5 for the Company's accounting policy for business combinations.

Leases

Specific estimates regarding leases is addressed in Note 4(e) below.

Other areas

Other key areas of estimation where management is required to make subjective estimates, often as a result of matters that are inherently uncertain, include:

- the assessment of the carrying values of allowances for doubtful accounts and inventory obsolescence;
- the capitalization of overhead;
- the useful lives of property, plant and equipment; and the useful lives of intangible assets;
- provisions, contingent liabilities and the fair value of financial assets; and
- the future effects of the COVID-19 pandemic.

4. ADOPTION OF IFRS 16 – LEASES

(a) Accounting policy

Lessee accounting

The Company has entered into leases for equipment, land and buildings in the normal course of business. Lease contracts are usually made for fixed periods of time but may include options to purchase, renew or terminate. Leases are usually negotiated on an individual basis and have a wide range of terms and conditions.

At the inception of a contract, it is assessed as to whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, it is assessed as to whether, throughout the period of use, the Company has the right:

- to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
- to direct the use of the identified asset.

At the commencement date, the Company recognizes a right-of-use asset and a corresponding lease liability. At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the right-of-use asset is measured by applying a cost model. The cost model measures the right-of-use asset at cost:

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease, unless the Company expects to obtain ownership of the leased asset at the end of the lease, in which case, the right-of-use asset is depreciated over its estimated useful life. The lease term typically consists of the non-cancellable period of the lease, together with both:

- the periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and

- the periods covered by options to terminate the lease, where the Company is reasonably certain that the option will not be exercised.

At the commencement date, the lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease liabilities are subsequently measured at amortized cost using the effective interest method.

The lease liability is re-measured when there is a change in the future lease payments arising from a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or when the Company changes its assessment of whether purchase, extension or termination options will be exercised. When the lease liability is re-measured under these circumstances, there will be a corresponding adjustment made to the carrying amount of the right-of use asset.

When the lease liability is re-measured as a result of an amendment to the lease contract due to a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change, with the difference recorded in net income prior to the re-measurement of the lease liability.

Practical expedients and exemptions

The Company has applied the following available practical expedients and exemptions, wherein it has:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- excluded initial direct costs from measuring the right-of-use asset as at July 1, 2019;
- relied on our assessment of whether leases are onerous under the requirements of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* as at June 30, 2019 as an alternate to reviewing our right-of-use assets for impairment;
- elected not to separate non-lease components from lease components and instead accounted for each lease component and any associated non-lease component as a single lease component;
- applied the short-term lease exemption to leases with lease terms that end within 12 months from the date of initial application; and
- applied the recognition exemption to leases for which the underlying asset is of low value.

Lessor accounting

All of the leases in which the Company is the lessor are classified as operating leases. Lease payments received under operating leases are recognized in income on a straight-line basis.

(b) Reconciliation of consolidated statements of financial position as at July 1, 2019

The table below is the effect of the transition to IFRS 16 on our consolidated statements of financial position as at July 1, 2019:

	Reference	As reported as at June 30, 2019	Effect of IFRS 16 transition	Subsequent to transition as at July 1, 2019
Assets				
Current assets				
Cash and cash equivalents		$ 19,834	$ -	$ 19,834
Short-term investments		24,569	-	24,569
Accounts receivable		15,154	-	15,154
Income tax receivable		437	-	437
Inventories		12,724	-	12,724
Prepaid expenses		2,235	-	2,235
Contract assets		187	-	187
		75,140	-	75,140
Non-current assets				
Property, plant and equipment		12,526	-	12,526
Right-of-use assets	i.	-	5,109	5,109
Goodwill		15,131	-	15,131
Intangible assets		67,887	-	67,887
Other long-term assets		1,017	-	1,017
Investment tax credits		24,355	-	24,355
Deferred tax assets		4,714	-	4,714
		$ 200,770	$ 5,109	$ 205,879
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	ii.	$ 11,699	$ (812)	$ 10,887
Provisions		804	-	804
Income tax payable		55	-	55
Deferred revenue		4,046	-	4,046
Current portion of long-term debt	i.	250	1,329	1,579
		16,854	517	17,371
Non-current liabilities				
Provisions		332	-	332
Deferred revenue		763	-	763
Deferred tax liability	iii.	324	46	370
Long-term debt	i.	1,729	4,386	6,115
		20,002	4,949	24,951
Shareholders' equity				
Share capital		1,916	-	1,916
Reserves		4,104	-	4,104
Retained earnings	iv.	173,738	160	173,898
Accumulated other comprehensive income		1,010	-	1,010
		180,768	160	180,928
		$ 200,770	$ 5,109	$ 205,879

i. Right-of-use assets and lease liabilities

The initial measurement of the Company's right-of-use assets and lease liabilities were calculated in accordance to our accounting policy in Note 4(a) above. At the time of transition, the Company had lease incentives that reduced the right-of-use assets.

ii. Accounts payable and accrued liabilities

Prior to the transition to IFRS 16, the Company reported an accrued liability for certain operating leases that were recorded using a straight-line rent methodology. The accrued liability was eliminated upon the transition to IFRS 16.

iii. Deferred tax liability

Prior to the transition to IFRS 16, the Company reported rent expense on a straight-line basis. The transition to IFRS 16 eliminated this treatment, which partially impacted retained earnings, and the tax effect of the elimination was reported as a deferred tax liability.

iv. Retained earnings

Lease abatements received prior to the transition to IFRS 16 do not have an impact on the right-of-use asset or the lease liability because they are not lease incentives, and they have no cash flow impact. The net impact of these lease abatements are consequently recorded against retained earnings.

Impact of IFRS 16 transition

Prior to the adoption of IFRS 16, the total minimum operating lease commitments as at June 30, 2019 were $6,877. The weighted average discount rate applied to the total lease liabilities recognized on transition was 3.91%. The difference between the total minimum lease payments set out in Note 34 of our June 30, 2019 consolidated financial statements and the total lease liabilities recognized on transition was a result of:

- the inclusion of lease payments beyond minimum commitments related to reasonably certain renewal periods or extension options that had not yet been exercised as at June 30, 2019; offset by
- the effect of discounting the minimum lease payments;
- the exclusion of short-term and low-value asset leases; and
- certain costs to which we are contractually committed under lease contracts but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate.

As a result of adopting IFRS 16, the Company has recognized a significant increase in both our assets and liabilities on the consolidated statements of financial position. The consolidated statements of comprehensive income (loss) are impacted due to: the removal of rent expense for our leases; the additional depreciation and amortization due to the depreciation of the right-of-use assets; and the additional finance costs related to the interest component of the lease liabilities.

(c) Right-of-use assets

For the year ended June 30, 2020, the Company's right-of-use assets solely comprised of real estate leases. The table below provides details of the Company's right-of-use assets:

Year ended June 30, 2020		**Total**
At cost		
As at July 1, 2019		
As previously reported	$	-
IFRS 16 transitional amount		5,109
Adjusted balance, July 1, 2019		5,109
Additions		200
Dispositions, retirements, other		-
Effect of foreign exchange		114
	$	**5,423**
Accumulated depreciation		
As at July 1, 2019		
As previously reported	$	-
Adjusted balance, July 1, 2019		-
Depreciation		1,403
Dispositions, retirements, other		-
Effect of foreign exchange		10
	$	**1,413**
Net book value		
At June 30, 2019	$	-
At June 30, 2020	**$**	**4,010**

(d) *Short-term leases and leases of low-value assets*

The Company applied the practical expedients permitted under IFRS 16 for short-term leases and leases of low value assets. For the year ended June 30 2020, $50 for short-term leases, and $17 for leases of low-value assets are included in general and administration expense in the consolidated statements of comprehensive income (loss). The table below summarizes the future minimum payments for the short-term leases and leases of low-value assets that are not recognized as liabilities as at June 30, 2020:

		Less than 1 year		1 to 3 years
Short-term leases	$	2	$	-
Leases of low value		2		5
	$	4	$	5

(e) Use of estimates and judgments

Estimates

The Company estimates the lease term by considering the facts and circumstances that creates an economic incentive to exercise an extension option, or not exercise a termination option. Certain qualitative and quantitative assumptions are made when determining the value of the economic incentives.

Judgments

Judgments used in determining the right-of-use assets and lease liabilities include:

- Identifying or determining if a contract is or contains an identified asset – the identified asset should be physically distinct or represent all or substantially all of the capacity of the asset, and should provide the right to all or substantially all of the economic benefits from the use of the identified asset;
- determining which interest rate to use in measuring the present value of the lease liability for each lease – the incremental borrowing rate should reflect the interest that would have to be paid to borrow at a similar term and with similar security; and
- determining, with reasonable certainty, whether the Company will exercise an option to extend or an option not to terminate a lease contract – this will be based on an assessment of the expected economic return from the lease.

See Note 19 for our disclosure regarding lease liabilities.

5. BUSINESS COMBINATION

On May 31, 2019, the Company completed the acquisition of substantially all of the assets and certain liabilities, comprising the ContentAgent business ("ContentAgent"), from Root 6 Limited. ContentAgent offers a file-based workflow management and automation platform, specializing in video-ingest and delivery automation solutions in the media industry.

The transaction, valued at $823, was financed through the Company's cash and short-term investment reserves.

The following table summarizes the fair value allocations of assets acquired and liabilities assumed as part of the acquisition:

Year ended June 30, 2019		**Amount**
Consideration paid:		
Purchase price	$	823
Net assets acquired:		
Accounts receivable	$	138
Prepaid expenses		161
Property, plant and equipment		11
Intangible assets		666
Goodwill		242
Accounts payable and accrued liabilities		(252)
Deferred revenue		(143)
	$	823

Uncollectible amounts of acquired accounts receivable is estimated to be immaterial.

The goodwill recognized is attributable to intangible assets that do not qualify for separate recognition and includes, amongst other things: expected synergies arising from the combination of ContentAgent and the Company's existing business; expected growth in the underlying markets in which ContentAgent serves; and the strength of the assembled workforce. The goodwill arising from the acquisition is not deductible for tax purposes.

Transaction costs related to the acquisition of ContentAgent were $41, and are included in operating costs in the consolidated statements of comprehensive income (loss).

Sales and net loss for the year ended June 30, 2019 attributable to the acquisition of ContentAgent are $137 and $(59), respectively.

Had the business combination been effective July 1, 2018, the consolidated sales of the Company would have been $86,841 and the net loss would have been $(3,925). Management considers these "pro-forma" numbers as a reasonable approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. In determining these amounts, management has assumed that the fair value adjustments, determined on a preliminary basis, which arose on the acquisition date would have been the same, in all material respects, if the acquisition had occurred on July 1, 2018.

6. CASH AND CASH EQUIVALENTS

Years ended June 30,		**2020**		2019
Cash	**$**	**4,878**	$	5,361
Short-term deposits		**12,472**		14,473
	$	**17,350**	$	19,834

7. SHORT-TERM INVESTMENTS

Short-term investments are measured at fair value and changes are reported through the consolidated statements of comprehensive income (loss). The fair value of the short-term investments were equal to their carrying value for the years ended June 30, 2020 and 2019. Short-term investments consist of guaranteed investment certificates and marketable equity securities.

8. ACCOUNTS RECEIVABLE

Years ended June 30,	**Note**		**2020**		2019
Trade receivables		**$**	**23,840**	$	13,943
Less: allowance for doubtful accounts			**(97)**		(58)
			23,743		13,885
Goods and services tax			**351**		542
Government grants receivable	13		**691**		258
Foreign exchange contracts			**101**		-
Leasehold improvements incentives			**-**		335
Other receivables			**22**		134
		$	**24,908**	$	15,154

All trade receivables are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the receivables.

The government grant receivable for the year ended June 30, 2020 includes a research and development tax credit from the State of Georgia in the amount of $689 (June 30, 2019 - $247). Refer to Note 13 - *Government Grants* for further details.

Included in trade receivables is the allowance for doubtful accounts used to record the impairment of the receivable prior to being written off. The details of the allowance for doubtful accounts is in the table below:

Opening allowance for doubtful accounts, July 1, 2018	$	8
Charge		54
Write-offs		(4)
Balance, June 30, 2019		58
Charge		54
Write-offs		(15)
Balance, June 30, 2020	**$**	**97**

9. INVENTORIES

Years ended June 30,		**2020**		2019
Raw materials	**$**	**7,047**	$	5,481
Work-in-progress		**3,802**		1,292
Finished goods		**6,363**		5,951
	$	**17,212**	$	12,724

During the year ended June 30, 2020, inventories of $30,413 (year ended June 30, 2019 - $28,728) were expensed through cost of sales. Write-downs of inventory that were included in the cost of sales for the year ended June 30, 2020 were $745 (year ended June 30, 2019 - $1,159). Write-downs of inventory that were included in sales and marketing for the year ended June 30, 2020 were $320 (year ended June 30, 2019 - $1,004). Reversals of write-downs were $173 during the year ended June 30, 2020 (year ended June 30, 2019 - $59). For the year ended June 30, 2020, the carrying amount of inventory recorded at net realizable value was $885 (year ended June 30, 2019 - $1,256) with the remaining inventory recorded at cost.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Land improvements & building	Lab, operating & production equipment	Other equipment[1]	Total
At cost						
At July 1, 2018		$ 621	$ 8,710	$ 19,056	$ 10,892	$ 39,279
Additions		-	835	1,868	779	3,482
Disposals		-	(109)	(2,362)	(319)	(2,790)
Business acquisition	5	-	-	-	11	11
Effect of foreign exchange		-	(9)	(14)	12	(11)
At June 30, 2019		621	9,427	18,548	11,375	39,971
Additions		-	38	1,249	846	2,133
Disposals		(285)	(391)	(491)	(146)	(1,313)
Effect of foreign exchange		-	34	34	126	194
At June 30, 2020		**$ 336**	**$ 9,108**	**$ 19,340**	**$ 12,201**	**$ 40,985**
Accumulated depreciation and amortization						
At July 1, 2018		$ -	$ 3,025	$ 14,571	$ 10,008	$ 27,604
Depreciation charge		-	240	1,692	407	2,339
Disposals		-	(106)	(2,088)	(290)	(2,484)
Effect of foreign exchange		-	-	(8)	(6)	(14)
At June 30, 2019		-	3,159	14,167	10,119	27,445
Depreciation charge		-	312	1,370	515	2,197
Disposals		-	(145)	(287)	(107)	(539)
Effect of foreign exchange		-	3	12	66	81
At June 30, 2020		**$ -**	**$ 3,329**	**$ 15,262**	**$ 10,593**	**$ 29,184**
Net book value						
At June 30, 2019		$ 621	$ 6,268	$ 4,381	$ 1,256	$ 12,526
At June 30, 2020		**$ 336**	**$ 5,779**	**$ 4,078**	**$ 1,608**	**$ 11,801**

[1] *Other equipment includes furniture, computer hardware, and automotive equipment.*

Additions for the year ended June 30, 2020 were $2,133 (June 30, 2019 - $3,482), of which $2,133 was acquired for cash consideration (June 30, 2019 - $2,868) and $nil for non-cash consideration (June 30, 2019 - $614). The non-cash additions relate to leasehold improvements that were covered by leasehold incentives.

The following estimated useful lives have been applied to property, plant and equipment assets at June 30, 2020 and June 30, 2019:

	Estimated useful life
Land improvements and building	5 to 40 years
Lab, operating and production equipment	3 to 7 years
Other equipment[1]	1 to 5 years

[1] *Other equipment includes furniture, computer hardware, and automotive equipment.*

Depreciation of property, plant and equipment included in cost of sales, research and development, sales and marketing, and general and administrative expenses is as follows:

Years ended June 30,		**2020**		2019
Cost of sales	**$**	**304**	$	336
Research and development		**550**		702
Sales and marketing		**306**		439
General and administrative		**1,037**		862
Depreciation for the year	**$**	**2,197**	$	2,339

There were no impairment losses or recoveries during the years ended June 30, 2020 or 2019.

Property, plant and equipment classified as investment properties under IAS 40, include land and land improvements, and buildings. Collectively, the investment properties' fair value exceeds their gross carrying amount. Investment properties include land with a gross carrying amount of $16 (June 30, 2019 - $301) and accumulated depreciation of $nil as at June 30, 2020 and June 30, 2019. Investment properties' improvements and buildings had a gross carrying amount of $47 and accumulated depreciation of $24 as at June 30, 2020 ($430 and $170 respectively, as at June 30, 2019). The fair value of the investment properties at June 30, 2020 was $250 (June 30, 2019 - $1,262). The fair value was determined using the expertise of an independent local real estate agent not related to the Company. The independent real estate agent has professional qualifications and experience in the location and category of investment property being valued. For the year ended June 30, 2020, income earned from the investment properties was $52 with direct expenses of $52 (June 30, 2019 - $126 and $37, respectively). On May 12, 2020, the Company sold one of its investment properties to a third party for $875. It had a carrying value of $490 at the time of sale.

11. GOODWILL

	Note		
At July 1, 2018		$	14,903
Business acquisition	5		242
Effect of foreign exchange			(14)
At June 30, 2019			15,131
Business acquisition			-
Effect of foreign exchange			356
At June 30, 2020		**$**	**15,487**

For the year ended June 30, 2020, goodwill includes $3,470 attributable to brand (June 30, 2019 - $3,334).

Impairment testing of goodwill

For the purposes of impairment testing at the end of the reporting period, the indefinite-life intangible assets and goodwill are allocated to cash generating units (CGU's), which represent the lowest level at which indefinite-life intangible assets are monitored for internal management purposes. The Company's recorded goodwill has a carrying value which consists of $6,111 relating to the Telematics segment, and $9,376 relating to the Content Delivery and Storage segment (June 30, 2019 - $6,111 and $9,020, respectively). The recoverable amount of the segment and the associated CGU's are based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering the next fiscal year, extrapolated based on projected growth and achieving key operating objectives for a period of less than five years. There is a material degree of uncertainty with respect to the estimates of the recoverable amount of the cash generating units' assets given the necessity of making key economic assumptions about the future.

The value-in-use calculation uses discounted cash flow projections which employ the following key assumptions: future cash flows and growth projections, including economic risk assumptions and estimates of achieving key operating metrics and drivers; and the weighted average cost of capital. The projected cash flows have been prepared based on management's past experience and expected demand and cost for the products. The pre-tax discount rate applied to cash flow projections reflect the current market assessment of risk and was based on an estimate of weighted average cost of capital taking into account assessments by third party experts. The pre-tax discount rates used in our testing of the CGU's ranged between 14.3% and 18.3%. As a result of this analysis, management has not identified any impairment for the Company's CGU's.

12. INTANGIBLE ASSETS

		Indefinite-life intangible assets	Finite-life intangible assets				
	Note	**Spectrum and other licenses**	**Customer contracts**	**Patents**	**Intellectual property**	**Deferred development costs**	**Total**
At cost							
At July 1, 2018		$ 106	$ 20,528	$ 648	$ 9,990	$ 46,374	$ 77,646
Additions		-	-	47	39	16,057	16,143
Business acquisition	5	-	363	-	303	-	666
Government grant	13	-	-	-	-	(232)	(232)
Investment tax credits	14	-	-	-	-	(1,654)	(1,654)
Write-down, fully amortized		-	-	(50)	-	-	(50)
Effect of foreign exchange		(1)	(25)	(1)	(16)	(24)	(67)
At June 30, 2019		$ 105	$ 20,866	$ 644	$ 10,316	$ 60,521	$ 92,452
Additions		-	-	83	7	12,250	12,340
Government grant	13	-	-	-	-	(98)	(98)
Investment tax credits	14	-	-	-	-	782	782
Write-down, fully amortized		-	-	-	-	(12,544)	(12,544)
Effect of foreign exchange		2	663	9	277	214	1,165
At June 30, 2020		**$ 107**	**$ 21,529**	**$ 736**	**$ 10,600**	**$ 61,125**	**$ 94,097**
Accumulated amortization							
At July 1, 2018		$ -	$ 2,039	$ 366	$ 1,639	$ 11,278	$ 15,322
Amortization		-	2,351	69	1,382	5,529	9,331
Writedown, fully amortized		-	-	(50)	-	-	(50)
Effect of foreign exchange		-	(16)	-	(9)	(13)	(38)
At June 30, 2019		$ -	$ 4,374	$ 385	$ 3,012	$ 16,794	$ 24,565
Amortization		-	2,418	63	1,392	8,702	12,575
Writedown, fully amortized		-	-	-	-	(12,544)	(12,544)
Effect of foreign exchange		-	147	-	75	79	301
At June 30, 2020		**$ -**	**$ 6,939**	**$ 448**	**$ 4,479**	**$ 13,031**	**$ 24,897**
Net book value							
At June 30, 2019		$ 105	$ 16,492	$ 259	$ 7,304	$ 43,727	$ 67,887
At June 30, 2020		**$ 107**	**$ 14,590**	**$ 288**	**$ 6,121**	**$ 48,094**	**$ 69,200**

Amortization of customer contracts and patents is recognized in general and administrative expenses. Amortization of deferred development costs and intellectual property is recognized in research and development expenses.

The aggregate amount of research and development expenditures during the year ended June 30, 2020 was $25,828 (June 30, 2019 - $29,336).

During the current and prior year, no impairments were noted for any indefinite-life intangible assets.

There were no impairment losses recorded on deferred development costs during the year ended June 30, 2020 (June 30, 2019 - $nil).

13. GOVERNMENT GRANTS

	Job Grants	Industrial Research Assistance Program (IRAP)	State of Georgia research and development tax credit	Total
Balance, June 30, 2018	$ 1	$ -	$ -	$ 1
New grants claimed	8	232	285	525
Grants received	(9)	(221)	(38)	(268)
Balance, June 30, 2019	-	11	247	258
New grants claimed	42	98	689	829
Grants received	(40)	(109)	(247)	(396)
Balance, June 30, 2020	**$ 2**	**$ -**	**$ 689**	**$ 691**

In December 2018, the Company entered into non-repayable contribution agreements with the National Research Council Canada as represented by its Industrial Research Assistance Program ("IRAP") for total funding of $350 to finance research and development projects. During the year ended June 30, 2020, the Company recognized $98 (June 30, 2019 - $232) in non-repayable government assistance relating to IRAP; $98 (June 30, 2019 - $232) was recorded as a reduction in intangible assets; and $nil (June 30, 2019 - $nil) was recorded as a reduction to research and development expenses. At June 30, 2020, the Company had accounts receivable relating to IRAP of $nil (June 30, 2019 - $11).

In the third quarter of 2020, the Company applied for a research and development tax credit with the State of Georgia in the amount of $689, which related to the 2019 fiscal period. The application for the tax credit was submitted in January 2020 with the Company's 2019 state corporate tax return. In March 2020, the Company received confirmation that our application for the tax credit was approved. The tax credit allows the Company to incrementally offset its state payroll tax withholdings each pay period, until the tax credit is used. The tax credit is not dependent upon the Company having taxable income in the State of Georgia, and is not considered part of income taxes. We reported the original tax credit in the third quarter of 2020 as a government grant receivable in the amount of $689, with a corresponding offset to accrued liabilities.

For the year ended June 30, 2019, the Company applied for a research and development tax credit with the State of Georgia. The amount granted in 2019 was $285. We reported the original tax credit in the third quarter of 2019 as a government grant receivable in the amount of $285, with a corresponding offset to accrued liabilities.

As of June 30, 2020, the government grant receivable was $689 (June 30, 2019 - $247). During the year ended June 30, 2020, the payroll tax withholding liability and the government grant receivable were reduced by $247 (June 30, 2019 - $38) during the year; and the accrued liabilities and operating expenses were reduced by a total of $378 for the year ended June 30, 2020 (June 30, 2019 - $158). The Company expects to fully utilize the tax credit within 12 months of the grant date, and all amounts reported on the consolidated statements of financial position are shown as either a current asset or current liability.

14. INVESTMENT TAX CREDITS

During the year ended June 30, 2020, the Company recorded investment tax credits of $1,914 (2019 - $1,721), with a $1,709 (2019 - $1,654) reduction to deferred development costs and $205 (2019 - $67) reduction to research and development expenses. Investment tax credits reducing deferred development costs were offset by $1,288 for a tax ruling and by $1,203 for expired provincial credits. Investment tax credits expire between 2021 and 2040.

15. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary and non-current carry-forward differences between the carrying amounts of assets and liabilities for financial reporting purposes and the associated amounts used for income tax purposes. Significant components of the Company's tax assets and liabilities are as follows:

Years ended June 30,	**2020**	2019
Provision for warranties	**$ 77**	$ 112
Lease liabilities	**1,206**	-
Non-capital losses	**874**	865
Property, plant and equipment	**1,746**	1,511
Right-of-use assets	**(1,021)**	-
Research and development expenditures	**12,254**	11,633
Accrued expenses	**150**	611
Unrealized foreign exchange (gains) losses	**(215)**	149
Accrued retirement	**138**	-
Intangible assets	**(11,191)**	(10,615)
Other	**(94)**	124
Net total deferred tax asset	**3,924**	4,390
Deferred tax asset	**4,460**	4,714
Deferred tax liability	**$ (536)**	$ (324)

The Company has recognized deferred tax assets in the amount of $3,924 (2019 - $4,390), the utilization of which is dependent on the future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of these deferred tax assets is based on taxable income forecasts that incorporate existing circumstances that will result in positive taxable income against which non-capital losses and deductible temporary differences can be utilized.

Significant components of the provision for income taxes attributable to operations are as follows:

Years ended June 30,	**2020**	2019
Income tax expense	**$ (51)**	$ 70
Deferred income tax expense (recovery)	**441**	(2,472)
	$ 390	$ (2,402)

There were no income taxes booked to equity during the year (2019 - $nil).

The provision for income taxes differs from the amount that would be computed by applying the Canadian federal and provincial substantively enacted income tax rates. The reasons for the differences are as follows:

Years ended June 30,		**2020**		2019
Income (loss) before income taxes	**$**	**2,196**	$	(5,861)
Substantively enacted tax rates		**25.7%**		25.4%
Tax computed at Canadian statutory income tax rates		**564**		(1,489)
Differences in substantively enacted future tax rates		**29**		(94)
Foreign tax rate differential		**(193)**		(2)
Expenses not deductible for tax purposes(1)		**164**		57
Non-taxable portion of unrealized foreign exchange gains(1)		**-**		1
Federal and state tax credits		**(784)**		(608)
Other(2)		**610**		(267)
Total income tax expense	**$**	**390**	$	(2,402)
Effective income tax rate		**17.8%**		(41.0)%

(1) *Expenses not deductible for tax purposes consists primarily of interest and penalties, stock-based compensation expense, foreign expenses, expired ITC carryforwards, and meals and entertainment.*

(2) *Other items primarily include prior year deferred income tax true-up amounts, valuation allowances, and effects of foreign exchange.*

16. SHORT-TERM BORROWINGS

The Company maintains an authorized line of credit of $14,000 (June 30, 2019 - $14,000) of which $nil was drawn on June 30, 2020 (June 30, 2019 - $nil). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 70% of accounts receivable and 40% of inventory (to a maximum of $7,000). Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at June 30, 2020 was 2.45% (June 30, 2019 - 3.95%).

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Years ended June 30,		**2020**		2019
Accounts payable	**$**	**6,632**	$	4,792
Accrued liabilities		**10,473**		6,907
	$	**17,105**	$	11,699

The carrying value of accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value due to their short-term nature.

18. PROVISIONS

	Warranty	Restructuring Costs	Other	Total
At July 1, 2018	$ 404	$ -	$ 468	$ 872
Additions during the year	399	157	284	840
Amounts utilized	(455)	-	(106)	(561)
Unused amounts reversed	-	-	(11)	(11)
Effect of foreign exchange	1	-	(5)	(4)
At June 30, 2019	349	157	630	1,136
Additions during the year	370	37	264	671
Amounts utilized	(411)	(157)	(361)	(929)
Effect of foreign exchange	4	-	10	14
At June 30, 2020	**$ 312**	**$ 37**	**$ 543**	**$ 892**
Less: current portion	**$ 312**	**$ 37**	**$ 143**	**$ 492**
Long-term portion	**$ -**	**$ -**	**$ 400**	**$ 400**

The warranty provision is based on the Company's prior years' experience.

19. LONG-TERM DEBT

Years ended June 30,	**2020**	2019
Term credit facility	**$ 1,708**	$ 1,979
Lease liabilities (including lease liabilities under IFRS 16 (Note 4(a)))	**4,603**	-
	$ 6,311	1,979
Comprised of:		
Current portion of term credit facility and lease liabilities	**$ 1,698**	$ 250
Long-term portion of term credit facility and lease liabilities	**4,613**	1,729
	$ 6,311	$ 1,979

Term credit facility

The term credit facility is with a Canadian chartered bank. As at June 30, 2020, the facility is repayable in monthly instalments of $21 principal and interest at prime of 2.45% (June 30, 2019 - $21, and 3.95%, respectively), expires in October 2021 and is collateralized by a general security agreement. The Company has an authorized loan amount of $3,792 and annually renews this facility with the bank.

The term credit facility is recorded at amortized cost. The Company’s term credit facility is at an interest rate that floats based on prime and the carrying value of the principal is considered to be fair value.

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit facility as at June 30, 2020:

2021	$ 250
2022	250
2023	250
2024	250
2025	250
Thereafter	458
	$ 1,708

Lease liabilities

The following is a reconciliation of the Company's lease liabilities as at June 30, 2020:

Lease liabilities, beginning of year	$	5,715
Net additions during the year		206
Interest on lease liabilities		230
Principal repayments of lease liabilities		(1,675)
Effect of foreign exchange		127
Other		-
Lease liabilities, end of year	**$**	**4,603**
Current portion		**1,448**
	$	**3,155**

20. SHARE CAPITAL

(a) Share capital

The Company has authorized share capital of: an unlimited number of common shares with no par value and an unlimited number of preferred shares with no par value. The table below provides details of common shares outstanding and their carrying value.

	Number of shares		Carrying value
Balance, July 1, 2018	22,377,288	$	1,756
Shares issued by exercising options	16,000		162
Shares repurchased and cancelled	(23,201)		(2)
Balance, June 30, 2019	22,370,087		1,916
Shares issued by exercising options	105,375		1,247
Shares repurchased and cancelled	(13,380)		(2)
Balance, June 30, 2020	**22,462,082**	**$**	**3,161**

The Company issued 105,375 shares through the exercise of options during the year ended June 30, 2020 (June 30, 2019 – 16,000).

Each holder of a common share is entitled to one vote per share at shareholder meetings and to receive dividends, as and when declared by the Board of Directors. There are no pre-emptive, retraction, surrender, redemption, repurchase for cancellation or conversion rights attached to the common shares.

Preferred shares may be issued from time to time with designation, rights, privileges, restrictions and conditions, determined by the Board of Directors at the time of issue (none issued).

(b) Reserves

Reserves within shareholders' equity represent equity settled employee benefits reserve.

(c) Stock option plan

The Company has established a stock option plan pursuant to which options to acquire common shares may be issued to officers, directors and employees of the Company. The term, vesting period, exercise price, and number of common shares, relating to each option will be determined by the Company's Board of Directors at the time options are granted, but will not be more favourable than those permitted under applicable securities legislation and/or regulation. Typically, options are granted for six years with vesting based on either time-based service or performance and are equity settled. The Company's stock option plan is subject to the rules and policies of any stock exchange on which the common shares are listed. The total number of common shares of the Company that will be issued pursuant to the Company's stock option plan will not exceed 10% of the issued and outstanding shares of the Company at any given time. Options granted under the Company's stock option plan are not assignable.

The changes in options and the number of options outstanding for the years ended June 30, 2020 and 2019 are as follows:

	Number of options		Weighted average exercise price per option
Outstanding, July 1, 2018	518,491	$	8.91
Granted	13,000		9.10
Cancelled	(12,991)		9.81
Exercised	(16,000)		7.09
Outstanding, June 30, 2019	502,500		8.95
Granted	9,000		8.25
Cancelled	(13,000)		8.62
Exercised	(105,375)		8.73
Outstanding, June 30, 2020	**393,125**	**$**	**9.01**
Vested and exercisable	**339,377**	**$**	**8.98**

At June 30, 2020, the exercise prices range from $8.62 to $10.72 per option, with the weighted average exercise price being $9.01 per option. The options outstanding at June 30, 2020 have a weighted average contractual life of 1.47 years.

	Options outstanding				Options exercisable		
	Number	Weighted average remaining life		Weighted average exercise price per option	Number		Weighted average exercise price per option
$8.25 to $8.63	257,125	0.65	$	8.61	248,125	$	8.62
$8.64 to $10.00	91,000	3.69		9.40	48,314		9.43
$10.01 to $10.72	45,000	1.65		10.53	42,938		10.52
	393,125	1.47	$	9.01	339,377	$	8.98

(d) Share-based compensation

For all stock options granted, the Company determined compensation expense based on the estimated fair values at the grant date of the stock options using the Black-Scholes and binomial option-pricing models. The estimated fair value of the stock options is amortized to share-based compensation over the vesting period of the options. The share-based compensation expense was $59 for the year ended June 30, 2020 (June 30, 2019 - $112).

The weighted average estimated fair value for the common share options granted in the year was $12 (June 30, 2019 - $25). Management used the following assumptions within the Black-Scholes option-pricing model:

Years ended June 30,		**2020**		2019
Weighted average share price	$	8.25	$	9.10
Expected option life		6.00 years		6.00 years
Risk-free rate of return		1.33%		2.43%
Volatility factor		23.78%		27.73%
Expected dividends		2.65%		2.42%
Forfeiture rate		2.07%		2.07%

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue

In the following table, gross revenue from contracts with customers is disaggregated by reporting segment and type. Refer to Note 26 for additional segmented financial information.

	For the year ended June 30, 2020							
		Video and Broadband Solutions		**Content Delivery and Storage**		**Telematics**		**Total**
Product sales	$	28,989	$	37,411	$	605	$	67,005
Provision of services		6,870		17,788		4,753		29,411
	$	**35,859**	**$**	**55,199**	**$**	**5,358**	**$**	**96,416**

	For the year ended June 30, 2019							
		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
Product sales	$	30,097	$	27,104	$	753	$	57,954
Provision of services		7,568		14,775		4,735		27,078
	$	37,665	$	41,879	$	5,488	$	85,032

(b) Contract assets

Contract assets arise primarily as a result of the difference between revenue recognized on the fulfillment of a non-recurring performance obligation at the onset of a term contract and the cash collected or receivable at the point of sale. Recognition of revenue requires the estimation of total consideration over the contract term and the allocation of that consideration to all performance obligations in the contract based on the stand-alone selling prices. The Company reclassifies contract assets to trade receivables once the customer is invoiced and the right to consideration is unconditional.

Contract assets also arise due to the treatment of costs incurred in acquiring customer contracts. IFRS 15 requires contract acquisition costs, such as sales commissions, to be recognized as an asset and amortized into cost of sales expense over the term of the contract. Commission costs paid to internal and external representatives as a result of obtaining contracts with customers are deferred and amortized to cost of sales expense consistent with the transfer of goods and services to the customer. Telematics deferred commission costs attributable to subscription service is amortized over 24 or 36 consecutive months. The Company has elected to utilize the practical expedient that allows the Company to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that would have been recognized is 12 months or less.

Years ended June 30,		**2020**		2019
Balance, beginning of year	**$**	**398**	$	555
Net additions arising from operations		**993**		249
Amounts billed during the year and reclassified as accounts receivable		**(193)**		(176)
Deferred cost recognized as expense in the period		**(229)**		(230)
Effect of change in foreign currency exchange rates		**(1)**		-
		968		398
To be billed and reclassified to accounts receivable during next 12 months		493		23
Deferred costs to be recognized as expense during next 12 months		153		164
Current portion, contract assets		646		187
Thereafter		322		211
	$	**968**	$	398

(c) Deferred revenue

Contract liabilities, which includes deferred revenues, represent the future performance obligations to customers in respect of services or customer activation fees for which consideration has been received upfront and is recognized over the expected term of the customer relationship. The Company has elected to apply the practical expedient that allows the Company to not disclose the unsatisfied portions of performance obligations under contracts where the revenue we recognize is equal to the amount invoiced to the customer.

Contract liability balances, the changes in those balances, the future periods that performance obligations are expected to be satisfied, and revenue recognized are set out in the following table.

Years ended June 30,	Note		**2020**		2019
Balance, beginning of year		**$**	**4,809**	$	4,957
Revenue deferred in previous period and recognized in current period			**(4,218)**		(4,000)
Business acquisition	5		**-**		143
Net additions arising from operations			**4,821**		3,714
Effect of change in foreign currency exchange rates			**150**		(5)
Balance, end of year			**5,562**		4,809
Revenue to be recognized in the future:					
Within one year		**$**	**4,960**	$	4,046
Between two to five years			**602**		763
Total		**$**	**5,562**	$	4,809

22. RESTRUCTURING COSTS

During the year ended June 30, 2019, the Company incurred incremental, non-recurring restructuring costs in the amount of $2,176. The restructuring costs were incurred in two tranches. The first tranche occurred in the first quarter of 2019, which represents severance costs related to the reorganization of manufacturing operations. The second tranche took place in the fourth quarter of 2019, and represents severance costs related to the reorganization of our research and development staffing as we near completion of a number of our next generation products and align our research and development investment accordingly.

23. OTHER (INCOME) EXPENSE

Years ended June 30,		**2020**		2019
(Gain) loss on sale of property, plant and equipment	**$**	**(455)**	$	82
Gain on sale of intangible assets		**-**		(202)
Lease revenue		**(52)**		(326)
Other		**28**		28
	$	**(479)**	$	(418)

24. NET INCOME (LOSS) PER SHARE

The following table sets forth the calculation of basic and diluted net income (loss) per share:

Years ended June 30,		**2020**		2019
Net income (loss): basic and diluted (in thousands of dollars)	**$**	**1,806**	$	(3,459)
Weighted average number of common shares outstanding:				
Basic		**22,411,612**		22,362,031
Dilution adjustment for stock options		**33,194**		-
Diluted		**22,444,806**		22,362,031
Net income (loss) per share: basic	**$**	**0.08**	$	(0.15)
Net income (loss) per share: diluted	**$**	**0.08**	$	(0.15)

Stock options could potentially dilute basic net income (loss) per share in the future. Dilutive stock options are calculated using the treasury stock method. For the year ended June 30, 2020, there were 272,125 dilutive stock options, which resulted in a dilution adjustment of 33,194; with the remaining 121,000 outstanding stock options being anti-dilutive. For the year ended June 30, 2019, any conversion effect of the 502,500 stock options were entirely anti-dilutive and have been excluded from the calculation of net income (loss) per share.

25. FINANCE INCOME (EXPENSE)

Years ended June 30,		**2020**		2019
Interest income	**$**	**731**	$	1,047
Operating interest line		**(2)**		(16)
Term credit facility interest		**(65)**		(81)
Other		**199**		(71)
Finance income (expense) before interest on lease liabilities		**863**		879
Interest expense on lease liabilities		**(230)**		-
	$	**633**	$	879

26. SEGMENTED FINANCIAL INFORMATION

The Company's operations are organized into business units based on how the business is managed and has three reportable segments. The Video and Broadband Solutions segment designs, develops and distributes electronic communications products to cable and telecommunications markets. The Content Delivery and Storage segment develops advanced applications focused on storing, protecting, and transforming and delivering visual media. The Telematics segment designs, develops and distributes fleet management products. Inter-segment transactions take place at terms that approximate fair value. The majority of the Company's operations, employees and assets reside in Canada and the United States. The following tables highlight key financial information by segment and geographical region:

Segments

	Year ended June 30, 2020				
	Video and Broadband Solutions	**Content Delivery and Storage**	**Telematics**	**Inter-Segment**	**Total**
Sales	$ 35,859	$ 55,199	$ 5,358	$ -	**$ 96,416**
Cost of sales	18,914	23,524	1,674	-	**44,112**
Gross profit	16,945	31,675	3,684	-	**52,304**
Operating expenses	14,934	18,958	2,218	-	**36,110**
Depreciation and amortization	8,308	6,835	828	-	**15,971**
Operating (loss) income	(6,297)	5,882	638	-	**223**
Finance income (expense)	744	(111)	-	-	**633**
Foreign exchange gain (loss)	1,359	(35)	16	-	**1,340**
(Loss) income before taxes	(4,194)	5,736	654	-	**2,196**
Income tax (recovery) expense	(843)	1,067	166	-	**390**
Net (loss) income	**$ (3,351)**	**$ 4,669**	**$ 488**	**$ -**	**$ 1,806**
Total assets	**$ 135,660**	**$ 61,775**	**$ 12,863**	**$ -**	**$ 210,298**
Total liabilities	**$ 12,800**	**$ 16,758**	**$ 978**	**$ -**	**$ 30,536**

	Year ended June 30, 2019				
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Inter-Segment	Total
Sales	$ 37,698	$ 41,879	$ 5,488	$ (33)	$ 85,032
Cost of sales	19,454	18,988	1,746	(33)	40,155
Gross profit	18,244	22,891	3,742	-	44,877
Operating expenses	21,168	16,931	2,129	-	40,228
Depreciation and amortization	5,690	4,825	808	-	11,323
Operating (loss) income	(8,614)	1,135	805	-	(6,674)
Finance income (expense)	819	61	(1)	-	879
Foreign exchange (loss) gain	(72)	10	(4)	-	(66)
(Loss) income before taxes	(7,867)	1,206	800	-	(5,861)
Income tax expense (recovery)	(2,054)	(564)	216	-	(2,402)
Net (loss) income	$ (5,813)	$ 1,770	$ 584	$ -	$ (3,459)
Total assets	$ 133,654	$ 53,809	$ 13,307	$ -	$ 200,770
Total liabilities	$ 7,636	$ 11,538	$ 828	$ -	$ 20,002

Inter-segment elimination of total assets represents the fair value adjustment of assets acquired in previous years' acquisitions.

Geographical region

Years ended June 30,	**2020**	2019
Sales to external customers:		
United States	**$ 70,706**	$ 61,066
Canada	**8,556**	14,253
Europe	**6,252**	5,264
Japan	**6,785**	3,434
Other	**4,117**	1,015
	$ 96,416	$ 85,032

Years ended June 30,		2020		2019
Non-current assets				
United States	**$**	**33,935**	$	33,029
Canada		**93,534**		90,419
Europe		**1,338**		946
Japan		**1,826**		1,236
	$	**130,633**	$	125,630

Sales to major customers

Sales to major customers accounting for more than 10% of total sales are as follows:

Years ended June 30,		2020		2019
Customer A	**$**	**15,133**	$	18,971
Customer B		**14,008**		10,546
Customer C		**12,484**		9,933
	$	**41,625**	$	39,450

Sales to these customers are with the Video and Broadband Solutions and Content Delivery and Storage segments.

27. RELATED PARTY TRANSACTIONS

Vecima is a publicly traded company on the Toronto Stock Exchange. Dr. Surinder Kumar, Chairman of Vecima's Board of Directors, directly or indirectly controls the majority of the outstanding common shares. Additionally, one member of Dr. Kumar's family is a Director, Senior Executive and Corporate Officer of the Company.

The consolidated financial statements include the accounts of the Company and its subsidiaries listed in the following table:

		% equity interest
Company Name	**Jurisdiction**	**Participating voting shares**
Vecima Networks (USA) Inc.	United States	100
Vecima Telecom India Private Ltd.	India	95
6105971 Canada Inc.	Canada	100
Vecima Technology Inc.	United States	100
Vecima Technology (Canada) Inc.	Canada	100
Concurrent Content Solutions Corporation	Japan	100
Vecima Technology (UK) Ltd.	United Kingdom	100
Vecima Technology GmbH	Germany	100
Vecima Technology B.V.	Netherlands	100

Compensation of key management personnel of the Company is provided in the table below:

Years ended June 30,		2020		2019
Salaries and short-term employee benefits	**$**	**1,898**	$	1,190
Post-employment pension		**43**		33
Share-based compensation		**11**		17
	$	**1,952**	$	1,240

The amounts disclosed in the table are recognized as an expense during the reporting period. Key management personnel consist of the Board of Directors and certain executives who have authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

No stock options were awarded to key management personnel for the year ended June 30, 2020 (2019 - nil). As stock options awarded are granted for six years, with vesting based on performance and are equity settled, the expense is recognized rateably over a period of years and thus only a portion of the awards are included in the table above.

The Company leased a building in Saskatoon under a ten-year lease from Dr. Surinder Kumar at the prevailing market rate. At the commencement of the lease, the prevailing market rate was $10.00 per square foot. The lease expired in March 2019 and was not renewed. The rental expense relating to this transaction was $nil for the year ended June 30, 2020 (year ended June 30, 2019 - $211).

28. FAIR VALUE HIERARCHY

Assets and liabilities measured at fair value in the consolidated statements of financial position, or where fair value disclosures are required, are classified based on a three-level hierarchy as follows:

Level 1: determined by reference to quoted prices in active markets for identical assets and liabilities;

Level 2: determined by using inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: determined using inputs that are not based on observable market data.

The following table classifies assets and liabilities measured at fair value according to the three-level hierarchy:

	June 30, 2020			June 30, 2019		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Short-term investments	**$ 17,165**	**$ -**	**$ -**	$ 24,569	$ -	$ -

During the years ended June 30, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Financial risks

In the normal course of business, the Company is exposed to a number of financial risks that can materially affect its operating performance. These financial risks include: credit risk, liquidity risk, currency risk and interest rate risk. The source of risk exposure and how each is managed is outlined below.

(a) Credit risk

Cash and cash equivalents are placed with major Canadian financial institutions rated in the two highest grades by nationally recognized ratings agencies. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, since all amounts are held at major Canadian financial institutions. Credit risk is also managed by maintaining short-term investments (short-term deposits in cashable Guaranteed Investment Certificates) with Canadian financial institutions rated in the two highest grades by nationally recognized ratings agencies and Alberta, British Columbia and Saskatchewan credit unions. Deposits with credit unions are insured through the Credit Union Deposit Insurance Corporation. This insurance exceeds the amounts otherwise covered by the Canadian Deposit Insurance Corporation for cash deposits.

Credit risk also arises from the financial loss we could experience if a counterparty to a financial instrument, from whom we have an amount owing, failed to meet its obligations under the terms and conditions of its contracts with us. Our credit risk exposure is primarily attributable to our accounts receivable. Our accounts receivable on the consolidated statements of financial position are net of allowances for doubtful accounts, which management estimates based on lifetime expected credit losses. Our accounts receivable do not contain significant financing components and therefore, we measure our allowance for doubtful accounts using lifetime expected credit losses related to our accounts receivable.

As at June 30, 2020, the weighted average age of customer accounts receivable was 35 days (June 30, 2019 - 34 days); and the weighted average age of past-due accounts receivable approximated 64 days (June 30, 2019 - 61 days). Accounts are considered to be past due when customers have failed to make the required payments by their contractually agreed upon due date. The aging of trade receivables that are not considered to be impaired are as follows:

Years ended June 30,	2020	2019
Current	**$ 19,826**	$ 11,980
31 to 60 days	**1,920**	1,233
61 to 90 days	**163**	513
Over 90 days	**1,834**	159
	$ 23,743	$ 13,885

We maintain allowances for lifetime expected credit losses related to the allowance for doubtful accounts. Current economic conditions, forward-looking information, and historical information, reasons for the accounts being past due are all considered when determining whether to make allowances for past due accounts. The same factors are considered when determining whether to write-off amounts charged to the allowance for doubtful accounts against the customer accounts receivable.

The Company has an allowance for doubtful accounts at June 30, 2020 of $97 (June 30, 2019 - $58). At June 30, 2020, the Company had three major customers (June 30, 2019 - three) who accounted for approximately 44% (June 30, 2019 - 42%) of the year-end accounts receivable balance. Customer contract assets that are not considered to be impaired within the next 12 months are $646 and long-term are $322.

(b) Liquidity risk

Liquidity risk arises from the Company's general funding needs and in the management of its assets, liabilities and capital. The Company manages its liquidity risk to maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations in a cost-effective manner. The Company currently holds a significant balance of cash and short-term investments which helps to mitigate this risk. The Company has access to a credit facility in the amount of $14,000 with a Canadian chartered bank. As of June 30, 2020, the remaining amount available to be drawn under this credit facility is $14,000.

The tables below presents a maturity analysis of the Company's financial liabilities as at June 30, 2020 and 2019:

June 30, 2020	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	Thereafter
Accounts payable and accrued liabilities	$ 17,105	$ 17,105	$ 17,105	$ -	$ -
Long-term debt	1,708	1,708	250	500	958
Lease liabilities	4,603	5,017	1,713	3,304	-
	$ 23,416	**$ 23,830**	**$ 19,068**	**$ 3,804**	**$ 958**

June 30, 2019	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	Thereafter
Accounts payable and accrued liabilities	$ 11,699	$ 11,699	$ 11,699	$ -	$ -
Long-term debt	1,979	1,979	250	750	979
	$ 13,678	$ 13,678	$ 11,949	$ 750	$ 979

(c) Currency risk

Approximately 97% (June 30, 2019 - 94%) of the Company's sales are denominated in U.S. dollars. The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures to the exchange rates for the Canadian dollar. These contracts are recognized in the consolidated statements of financial position at their fair value, with changes in fair value recorded in the consolidated statements of comprehensive income (loss) in foreign exchange gains (loss). The Company has entered into three $1,000 USD forward foreign exchange contracts for the year ended June 30, 2020 (June 30, 2019 – nil contracts). The forward foreign exchange contracts mature on July 31, 2020, August 31, 2020, and September 30, 2020, respectively, upon which the Company will be required to settle the contracts in USD. As at June 30, 2020, the Company has an unrealized net exchange gain of $101 (June 30, 2019 - $nil) on outstanding forward purchase contracts.

For the year ended June 30, 2020, if the Canadian dollar had weakened or strengthened by 1% against the U.S. dollar with all other variables held constant, net income before income taxes would have been $345 (June 30, 2019 - $284) higher or lower; and net income after income taxes would have been $260 (June 30, 2019 - $212) higher or lower.

(d) Interest rate risk

The Company is exposed to floating interest rate risk, as the required cash flows to service its debt will fluctuate as a result of changes in market rates. This risk is limited to the line of credit and long-term debt. The Company is also exposed to changes in interest rates related to its short-term investments, as the income received from these investments will fluctuate as a result of changes in market rates. A 1% movement in the interest rate would have resulted in a $133 change to net income before income taxes and a $99 change to net income after income taxes for the year ended June 30, 2020 (June 30, 2019 - $332 and $248, respectively).

30. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are to maintain financial flexibility while managing its cost of optimizing access to capital. The Company defines its capital as current and long-term debt (excluding lease liabilities) and shareholders' equity. The Company's capital as at June 30, 2020 was $181,470 (June 30, 2019 - $182,747). The Company monitors its capital structure and based on changes in economic conditions, may adjust the structure through the repurchase of shares, the issuance of shares or the use of debt facilities. The Company manages its capital structure in order to ensure sufficient resources are available to fund the development and growth of next generation products and, to fund the expansion of its manufacturing facilities, providing an opportunity to reinforce its market position.

Under its borrowing agreements, the Company must satisfy certain restrictive covenants including a minimum financial ratio for the working capital and maximum financial ratio for the debt/equity ratio and the purchase of property, plant and equipment. During the year, the Company complied with all these capital requirements. The Company did not pledge cash or cash equivalents under these borrowing agreements.

31. SUPPLEMENTAL INFORMATION

The following tables provide details of the Company's supplemental cash flow information:

Depreciation and amortization – operating activities

Years ended June 30,		**2020**		2019
Depreciation of property, plant and equipment	**$**	**2,197**	$	2,339
Depreciation of right-of-use assets		**1,403**		-
Amortization of deferred development costs		**8,702**		5,529
Amortization of finite-life intangible assets		**3,873**		3,802
	$	**16,175**	$	11,670

Net change in working capital – operating activities

Years ended June 30,		**2020**		2019
Accounts receivable	**$**	**(9,615)**	$	2,987
Inventories		**(4,328)**		2,515
Prepaid expenses		**451**		(428)
Income tax receivable		**2**		95
Contract assets		**(460)**		151
Accounts payable and accrued liabilities		**6,029**		(1,353)
Deferred revenue		**606**		(295)
Total change in net working capital	**$**	**(7,315)**	$	3,672

Capital expenditures, net – investing activities

Years ended June 30,		**2020**		2019
Capital expenditures before proceeds of disposition:				
Property, plant and equipment	**$**	**(2,133)**	$	(2,868)
Intangible assets		**(90)**		(86)
Proceeds of disposition:				
Property, plant and equipment		**1,106**		25
Intangible assets		**-**		202
Total capital expenditures, net	**$**	**(1,117)**	$	(2,727)

The table below provides details of the employee benefit expenses included in cost of sales and operating expenses:

Years ended June 30,		**2020**		2019
Wages and salaries	**$**	**42,069**	$	39,771
Employee deferred profit sharing plan		**1,257**		1,213
Health care benefits		**2,055**		1,994
	$	**45,381**	$	42,978

32. CONTINGENT LIABILITY

In March 2017, the Company received a re-assessment from the Canada Revenue Agency ("CRA") regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on its 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of $1,289. The Company and its advisors have reviewed the applicable tax law and believe its original treatment of these SR&ED claims was appropriate. The Company filed a Notice of Objection in the fourth quarter of the 2017 fiscal period in regards to this matter. The Company received a Notice of Confirmation in February 2020 stating that the Notice of Objection was denied. The Company recorded the adjustment in the third quarter of 2020. The impact of this adjustment was a $1.3 million increase in deferred development amortization expense. The Company has filed a Notice of Appeal in April 2020 to defend its original tax treatment of these SR&ED claims.

33. COVID-19

Since March 2020, several measures have been implemented in Canada and the U.S. in response to the increased impact from novel coronavirus (COVID-19). We continue to serve customers through our available platforms. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impact on the Company's future earnings and cash flows cannot be estimated at this time. The Company continues to ensure the continuity of its global operations, servicing both new and current customer needs.

34. SUBSEQUENT EVENTS

The adoption of the Company's performance share unit (PSU) plan was approved as well as the authorization, ratification and confirmation of all PSUs granted on or before June 23, 2020, during a special meeting of the Company's shareholders held on July 28, 2020. The continuation and amendment of the Company's stock option plan was also approved at this special meeting.

On August 7, 2020, the Company completed the purchase of the DOCSIS Distributed Access Architecture and EPON/DPoE portfolios (the "Gainspeed portfolio") from Nokia Corporation for $4.8 million USD. The purchase price includes inventory, property, plant and equipment, and intangible assets. Employees who currently support the Gainspeed portfolio will also transition to the Company.

On September 22, 2020, the Board of Directors declared a dividend of $0.055 per common share, payable on November 2, 2020 to shareholders of record as at October 9, 2020 consistent with its previously announced dividend policy.

35. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.