Management's Discussion and Analysis

and

Audited Annual Consolidated Financial Statements of

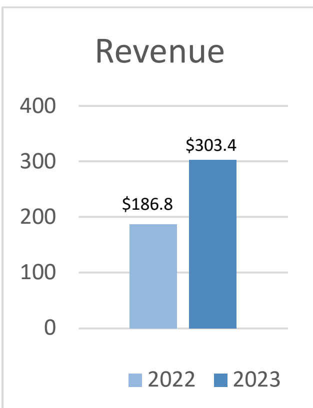
VECIMA NETWORKS INC.

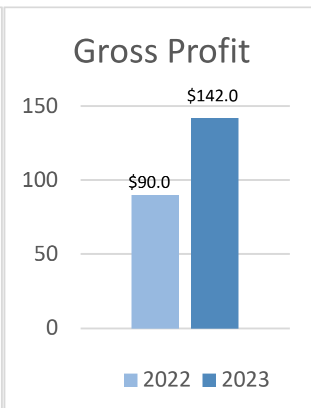
For the years ended June 30, 2023 and 2022

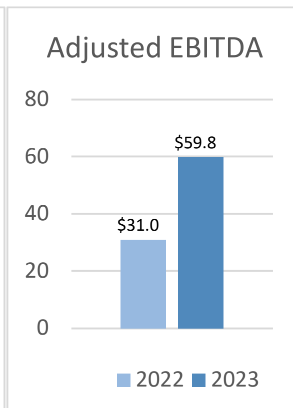
Dear Fellow Shareholders,

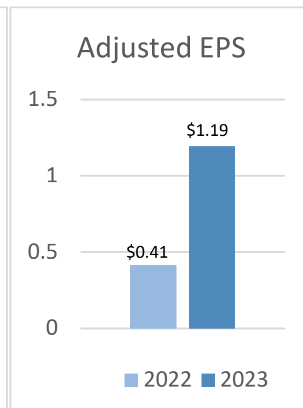
Fiscal 2023 was an outstanding year for Vecima as we furthered our position as a leading innovator and an essential partner supporting the global service provider industry's wide-scale migration to distributed access architecture (DAA) and IPTV.

Leveraging our industry-leading portfolio of DAA and IPTV solutions, we decisively bested fiscal 2022's stellar performance, turning in the strongest results in Vecima's history across both the top and bottom lines. Full-year revenue climbed 62.4% to a record $303.4 million, gross profit was up 57.8% to $142.0 million, adjusted EBITDA grew 92.8% to an all-time high of $59.8 million, and adjusted earnings per share nearly tripled to a record $1.19 per share.









These are exceptional results and reflect growth across all three of our business segments. They are also well-earned results given the fast-changing supply chain dynamics we continued to face in fiscal 2023. For over two years, our response to global component shortages has been highly effective. From strategically managing global component shortages to ensure our customers had the products they needed to support their DAA network upgrades to positioning customers today to work to catch up and ramp up on projects using the inventories we have unlocked for them, our ability to adapt quickly to a changing macro environment played a key role in helping us meet customers' needs while maintaining exceptional results.

Entra Sets New Records in the Video and Broadband Solutions Segment

Our fiscal 2023 financial performance was again led by our Video and Broadband Solutions (VBS) segment, where sales increased by 77.7% to a new record of $245.1 million. As expected, Entra DAA products were the key contributor to this performance.

As MSO’s increased their investment into next-generation DAA network upgrades and significant new opportunities in rural broadband connectivity emerged and grew rapidly, Vecima’s investment into the industry’s most complete and comprehensive portfolio of interoperable DAA cable and fiber access solutions delivered impressive growth. Entra sales rose 107% year-over-year to $222.1 million, representing 91% of VBS segment sales and 73% of total consolidated revenue. To put Entra’s growth trajectory into perspective, consider that a mere three years ago, this product family represented just $5.3 million or about 5% of our total sales.

By the end of fiscal 2023, Entra products were being deployed by a total of 51 customers, including eight of the top twelve largest cable operators in North America. Our total customer engagements grew to 107 from 91 last year. And we broadened both our customer base and our geographical footprint with new wins in North America, Europe, and Asia.

The scope of our DAA customer relationships also expanded in fiscal 2023, creating a strong foundation for long-term growth opportunities. As an example, Charter Communications (Charter) selected Vecima’s Entra ERM3 Remote PHY solution to support its fixed broadband network evolution to 10G connectivity. Charter is one of the world’s largest cable companies and our solution is expected to be used for a substantial portion of its footprint-wide cable access network upgrade to DAA. Our relationship with Charter further deepened as we worked together to demonstrate gigabit speed DOCSIS 4.0 at industry events including SCTE Cable-Tec Expo 2022, the telecommunications industry’s largest tradeshow. Subsequent to the year-end, we reached a warrant agreement with Charter, giving our customer the option to purchase up to 361,050 shares of Vecima as it meets certain buying targets. Collectively, these developments underscore the growth of this relationship as we together continue to execute a broad network evolution strategy.

Fiscal 2023 was also a significant year on the fiber access side of our Entra portfolio. With fiber dominating the build-out of rural broadband and network extensions, global demand for passive optical network (PON) deployments has been growing annually. We marked a major milestone with a U.S. Tier 1 operator with the delivery of over 20,000 10G PON ports of our Entra Fiber Access portfolio, bringing high-speed broadband to underserved communities. And we continued to extend our early lead in the fiber access space with the launch of the Entra EXS1610 All PON 10G solution, a flexible, compact, and powerful shelf-based platform that broadly supports widely deployed PON variants.

There was movement in the Commercial Video product line of the VBS segment as well, with customers transitioning to newer DAA-driven solutions and further boosting Entra family sales. While this contributed to a softening of sales for our legacy Terrace and Terrace QAM solutions, we closed the year with the first deployment of our next-generation Terrace IQ solution, setting the stage for a new phase of opportunity for our Terrace Family solutions for hospitality businesses and multi-unit dwellings.

Robust Growth in the Content Delivery and Storage Segment

Our Content Delivery and Storage (CDS) business was also a significant contributor to Vecima's momentum in fiscal 2023. Delivering 20% year-over-year growth, the segment achieved sales of $52.3 million and turned in record fourth quarter sales of $17.1 million, exceeding our expectations.

Headline achievements included new customer wins and multiple IPTV expansions with existing customers, including a range of Tier 1 and 2 telecommunications companies seeking to widen their footprints, and accelerate conversion of video subscribers to the IPTV fabric providing their subscribers with advanced services including live, on-demand and streaming DVR services using our MediaScale solutions.

Our MediaScale streaming platform also enjoyed enhanced visibility on the world stage, delivering optimal performance during the record-traffic events of both the FIFA World Cup Qatar 2022 and U.S. Super Bowl LVII, while delivering 100% uptime performance.

On the technology front, we continued to evolve our MediaScale portfolio with major releases like Origin 5.1 adding increased redundancy and resiliency for linear IPTV broadcast services, and Cache 6.0 providing support for dynamic ad insertion and multiple cloud deployment scenarios. We also announced an affordable and easy-to-deploy new MediaScale video platform that readily integrates with third-party QAM VOD back-office solutions to refresh old infrastructure, expand digital libraries, and enable customers to leverage their existing technology investment.

Importantly, the year brought continued collaboration with the Streaming Video Technology Alliance (SVTA) and the Open Caching Testbed API Initiative as we completed the world's first successful multi-tenant test of an SVTA Open Caching standard-compliant system using MediaScale's Open CDN System. We continue to see open caching as a significant driver of CDS's future growth and we are positioning Vecima for leadership in this market.

New Customers for NERO

In our Telematics segment, we achieved our best performance to date as we advanced market penetration of NERO Global Tracking, our moveable asset tracking platform. Our achievements included 58 new customer wins, 1,250 net new subscriptions, and an increase in the number of moveable assets we are monitoring to over 48,000 units. With asset tracking now representing 17% of our total subscriptions, we achieved record Telematics sales of $6.1 million in fiscal 2023, with full-year and Q4 margins of 67.7% and 72.4%, respectively, representing the best-ever performance from our Telematics segment.

Preparing for the Next Phase of Growth

Overall, it was an excellent year across all of Vecima's businesses, and our achievements have brought Vecima to the cusp of a new phase of growth and development.

Around the globe, MSOs are planning significant capital investment to upgrade their cable, fiber and IPTV networks. These are essential investments that address operators' urgent need to expand capacity, respond to increasing competition, and meet customers' expectations for ever-faster internet speeds and enhanced services. As a core broadband supplier to the global industry with unrivaled DAA and IPTV product portfolios and a very strong market position, Vecima is poised to benefit from these developments.

In our VBS segment, we anticipate a shift to significantly wider DAA deployment in fiscal 2024 as operators roll out their planned network upgrades. While we expect this activity to have a significant and positive impact on our results in the second half of the year and beyond, I want to emphasize that in the shorter term, the macro environment is still in transition.

As I noted earlier in this letter, Vecima successfully managed major constraints in the supply chain to fulfill strong product deliveries to our customers over the past two years. Correspondingly, many of these customers are now temporarily shifting from building up their product pipelines to managing their DAA rollout logistics, expanding field deployment activity and working through existing inventories. This is expected to lead to a temporary slowdown in Entra product deliveries in the first half of fiscal 2024, and most significantly in the first quarter, followed by an anticipated resurgence of growth in the second half as inventories come back into balance and new programs and deployments get underway. By year-end we expect our quarterly run rate will have reached a new high, with our momentum poised to further accelerate in fiscal 2025.

In our CDS segment, we are anticipating FY2024 growth in the low double-digit range as demand for our IPTV and open caching solutions continues to build. And we anticipate continued incremental growth in our Telematics segment.

As we move forward, we remain committed to capturing the major and multi-year opportunities in the DAA and IPTV markets and we are pursuing these opportunities from a position of financial and operational strength. During fiscal 2023, we completed a successful private placement offering of 563,380 common shares with gross proceeds of $17.0 million helping to reduce debt. We closed fiscal 2023 with working capital of $83.7 million and long-term debt of a modest $14.1 million, providing a balance sheet that is highly supportive of growth.

As we embark on this next year, we are closer than ever to seeing the full deployment potential of our technologies as we continue to break new ground in ultra-high-speed connectivity. Our path to the forefront of our industry has demanded passion and perseverance from every member of our team, and with each new milestone we achieve, I am reminded of what a privilege it is to work with this excellent team. They are the best in the business, and I thank them for their contribution to Vecima's success.

To our shareholders, thank you on behalf of our Board of Directors for your support of our shared vision and for your demonstrated confidence in our ability to make successful decisions through these complex but exciting periods of development and growth. Your partnership motivates us and we look forward to further rewarding your trust in Vecima as we move forward.

Sincerely,

Sumit Kumar
President and CEO

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 19, 2023

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, 2023.

Our MD&A supplements, but does not form part of, our audited consolidated financial statements and related notes for the years ended June 30, 2023 and 2022. 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, 2023 and 2022 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 and our expectations related to customer demand. 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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1. 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 Victoria, Burnaby, Duluth, Raleigh, San Jose, Qingdao, Shanghai, Tokyo, Amsterdam, and manufacturing and research and development ("R&D") facilities 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 provide internet video delivery and storage (IPTV) and next-generation high-speed broadband network access.

Vecima's business is organized into three segments:

1) **Video and Broadband Solutions** (“VBS”) includes platforms that process data from the cable network and deliver high-speed internet connectivity to homes over cable and fiber as well as adapt video services to formats suitable to be consumed on televisions in commercial properties.

   a. 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 fiber to the home (“FTTH”) nodes as optical transport moves away from analog distribution to fully digital distribution. Our goal is to provide the market’s most flexible and complete portfolio of broadband access infrastructure products driving the future of ultra-high speed networks to multi-gigabit per second symmetrical access.

      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, providing a modular highly interoperable platform for deployment of access technologies, leveraging billions of dollars of investment in coaxial cable;
      - EntraMAC - Multiple variants of the Entra Access Node that can operate as Remote MAC-PHY, providing the full next-generation access network within the Entra digital node, leveraging billions of dollars of investment in coaxial cable;
      - EntraOptical - Consists of both chassis and node based FTTH access technologies in areas of the service provider network where FTTH is practical and advantageous;
      - EntraControl – a virtual cloud-based platform with centralized orchestration and control across all Entra products:
        - 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, leveraging existing video generation infrastructure by providing a direct pathway for video through to the Entra node; and
        - The Entra Access Controller (“EAC”) virtualizes all of the control components allowing for the distribution of the data processing to the edge and into the Entra MAC and Entra Optical nodes; and
      - EntraVideo – a suite of products facilitating the migration from legacy architectures to next-generation distributed access architectures:
        - 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 essential two-way network connectivity for legacy set-top boxes that are heavily deployed and in service today.

   b. Our Terrace and TerraceQAM product families meet the unique needs of the business services vertical, including MDU (“multi-dwelling units”) and hospitality (including hotels, motels and resorts) by adapting video services to the individual business requirements and leveraging existing televisions in rooms.

2) **Content Delivery and Storage** (“CDS”) includes solutions and software, under the MediaScale brand, for service providers and content owners that focus on ingesting, producing, storing, delivering and streaming video for live linear, Video on Demand (“VOD”), network Digital Video Recorder (“nDVR”) and time-shifted services over the internet.

   MediaScale

   - Transcode: transforms live and OnDemand content utilizing state-of-the-art GPU technology, creating beautiful, cost-effective content for any device;
   - Origin: packages and secures video for streaming over-the-top (“OTT”) or through a service provider managed network, regardless of network technology;
   - Storage: captures live, OnDemand, and DVR content, holds it indefinitely, and allows for future streaming, rewind, fast-forward and pause;

- Cache: highly scalable, streaming platform, providing the ability to serve content to all IP and legacy devices, including Streaming Video Alliance Open Cache technology to allow operators to cache and monetize OTT content. Strategically geographically located to minimize network latency and optimize the end user streaming experience; and
- Digital Add Insertion: Vecima's MediaScale™ Dynamic Content solution helps service providers gain control over content by supporting content rights, blackouts, and advertising. By manipulating content at the edge of the network, operators can deliver more efficient, personalized video content and more opportunities to monetize that content with targeted, higher-value ads.

3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo and Nero Global Tracking brands. Vecima's Telematics solutions allow fleets and high value assets to be tracked, managed, reported on and optimized over a subscription-based cloud portal serving commercial and municipal government customers.

2. Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards DAA under the latest data over cable system interface specification ("DOCSIS") standards. Multiple top-tier and mid-tier players have initiated a roll-out of this new platform with further large-scale deployments anticipated over the next several years. DAA 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 third ("Gbps") for download speed and 3 Gbps for upload speed today and growing to 6 Gbps upload in the future. The speed provided by DAA using coaxial cable is comparable to that of fiber optic connections, thereby allowing cable operators to leverage their systems without the significant 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 DAA technology also enables significant cost-per-bit reductions relative to legacy DOCSIS network solutions.

The cable market began its broad shift towards DAA in 2020 as more operators recognized its suitability for market needs in terms of speed, agility, user experience and cost savings. The impacts of the COVID-19 pandemic further increased demands on network bandwidth, accelerating the push towards distributed access solutions.

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, has subsequently released the DOCSIS 4.0 specifications, which include full duplex DOCSIS ("FDX") and extended spectrum DOCSIS ("ESD"), allowing multi-system operators ("MSO") to significantly increase their total capacity while leveraging their past coaxial infrastructure investment.

Increasingly, service providers are strategically extending their networks with an all-fiber architecture using cable specific fiber to the home ("10G EPON") technology. Further, government funding is being made available to subsidize widescale fiber network buildouts with an emphasis on rural areas that are currently underserved. Operators have favoured architectures and products that allow them to cohesively orchestrate both coaxial and fiber access networks over a common cloud management platform.

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.

Content owners and broadcasters are also leveraging IPTV technologies to deliver services directly to subscribers using OTT business models. Open cache technology, such as that being standardized by the streaming video alliance is aimed at consolidating IPTV traffic utilizing strategically placed cache capacity that reduces cost and network latency.

Telematics

Traditional vehicle telematics is widely available for commercial fleets, but operations managers increasingly demand additional value to improve productivity of personnel and investment in the entire asset base. This has created additional opportunities to leverage asset tracking technology used in the Internet of Things to cost-effectively monitor mobile or fixed assets in the field, particularly in service-based industries where asset utilization can drive a stronger profit margin. Managers in these asset-intensive industries can use key information and analytics to optimally manage their mobile and fixed assets using subscription-based cloud portals.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next-generation platforms such as our Entra DAA platform, as well as our IP video storage and distribution technologies being sold and deployed under the MediaScale 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.

3. Fiscal 2023 Q4 and Full-Year Highlights

Financial and Corporate Highlights

- Full-year consolidated sales climbed 62.4% year-over-year, setting a new Company record at $303.4 million. Fourth quarter sales grew 26.0% year-over-year to $75.5 million.
- Full-year gross profit of $142.0 million and fourth quarter gross profit of $38.1 million were up 57.8% and 33.8%, respectively, from the same periods in fiscal 2022.
- Achieved full-year gross profit margin of 46.8% and Q4 gross profit margin of 50.5%, as compared to 48.2% and 47.5% in the same periods of fiscal 2022.
- Full-year adjusted EBITDA climbed 92.8% to $59.8 million; Q4 adjusted EBITDA increased 35.7% year-over-year to $15.1 million. As a percentage of revenue, Q4 adjusted EBITDA increased to 20.0% from 18.5% in Q4 fiscal 2022.
- Full-year adjusted EPS grew to a record $1.19 per share, from $0.41 in fiscal 2022; Q4 adjusted EPS grew to $0.25 per share, from $0.19 in Q4 fiscal 2022.
- Ended the fiscal year in strong financial position with $2.3 million in cash and working capital of $83.7 million at June 30, 2023, compared to $12.9 million and $58.6 million, respectively, at June 30, 2022.
- Declared annual dividends of $0.22 per share, including a fourth quarter dividend of $0.055 per share payable on November 6, 2023 to shareholders of record on October 13, 2023. This represents a cumulative $45 million returned to shareholders through regular dividends since Vecima initiated dividends in October 2014.

Video and Broadband Solutions (VBS)

- Achieved strong segment sales growth with annual VBS revenue increasing 77.7% year-over-year to a record $245.1 million and Q4 VBS sales climbing 15.4% year-over-year to $57.0 million. VBS services revenues increased 44.9% to $15.1 million for the full year and 25.5% to $3.6 million in Q4.

  DAA (Entra family)

  - Deployments of next-generation Entra DAA products increased 107% year-over-year to $222.1 million in FY23; Q4 Entra sales increased 26.8% year-over-year to $50.7 million.
  - Milestone DAA achievements in fiscal 2023 included:
    - An increase in total customer engagements to 107 MSOs worldwide, from 91 a year earlier. Fifty-one of these customers have now ordered Entra products, with order sizes increasing as operators continue to transition to broader deployment.
      - Customers engaged for cable access now number 61.
      - Customers engaged for fiber (or both cable and fiber) access technologies now number 46.
    - Achieved significant market adoption of next-generation fiber and cable access solutions, including deployments with eight of the twelve largest cable operators in North America.
    - Selected by Charter Communications to provide Entra ERM3 next-generation Remote PHY devices for this customer's planned enterprise-wide hybrid fiber coax (HFC) network evolution. Entra ERM3 RPD is expected to be used for a substantial portion of Charter's network upgrade.
    - Reached a major fiber milestone with a Tier 1 operator in the US, deploying more than 20,000 10G PON (Passive Optical Network) ports of Vecima's Entra Fiber Access portfolio.
    - Grew Vecima's footprint in Europe with Entra R-PHY deployments at Telenet Belgium and Telenet Systems in Austria.
    - In Asia, Kbro, Taiwan's largest cable operator, selected Entra Remote PHY to enable high-speed DOCSIS 3.1 services to subscribers.
    - California's Orion Cable chose Vecima for an R-PHY solution tailored to smaller cable operators requiring a turnkey, cost-effective and future-proof path to DOCSIS 4.0.
    - Demonstrated 10G-capable multi-gigabit symmetrical speed DOCSIS 4.0 in partnership with Charter Communications.

- Expanded PON portfolio with the launch of the Entra EXS1610 All-PON 10G shelf solution, which broadly supports widely deployed PON standards.
- Recognized by Dell'Oro Group as the 2022 market share leader in two key DAA categories: Remote Optical Line Terminals and Remote MACPHY.

Commercial Video (Terrace Family)

- Generated full-year commercial video sales of $22.2 million, as compared to $29.8 million in fiscal 2022, and Q4 sales of $6.3 million, as compared to $8.8 million a year earlier, reflecting the transition to next-generation platforms and the impact of certain newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales.
- Achieved a new milestone with Terrace and TerraceQAM bulk video delivery reaching an estimated 25,000 hotels, enterprises and commercial sites.
- Completed lab qualification and first large operator deployment of TerraceIQ in an IPTV environment.

Content Delivery and Storage (CDS)

- Full-year CDS sales grew 20.3% to $52.3 million, from $43.5 million in fiscal 2022; achieved record fourth quarter CDS sales of $17.1 million, up 85.4% from $9.2 million in Q4 FY22.
- CDS services revenues increased 28.9% to $22.2 million in FY23 and grew 44.3% to $6.8 million in Q4.
- Undertook multiple IPTV expansions with existing customers in fiscal 2023, broadening network footprints to give larger subscriber bases access to state-of-the-art live, on-demand, and cloud DVR streaming services on the IPTV fabric, while further migrating from legacy QAM-based video services. These significant customer expansions of MediaScale IPTV subscriber coverage included:
    - major footprint growth at a top 10 U.S. cable operator;
    - a phase 2 buildout with a Tier 2 telecom provider in the U.S.;
    - broadened IPTV deployment at a Tier 2 cable operator in the Midwestern U.S.;
    - increased IPTV services capacity with a fiber service provider in the Southeastern U.S. where Vecima's full MediaScale portfolio is used as the operator's flagship video offering to households and multiple dwelling units;
    - a major IPTV expansion with another top 10 U.S. cable operator; and
    - network capacity growth for a leading fiber service provider covering several U.S. markets with a full suite of IPTV services in multi-tenant and multi-dwelling communities.
- Achieved an additional telco win for IPTV linear streaming, cloud DVR and Video on Demand (VOD) in fiscal 2023.
- Supported the record traffic experienced by operators during the FIFA World Cup Qatar 2022™ and again during Super Bowl LVII, while delivering 100% uptime performance.
- Established a partnership with Cadent, the largest independent platform for advanced TV advertising, to integrate Vecima's MediaScale streaming solution with the Cadent Aperture platform. This integrated solution will enable service providers to protect existing linear ad revenue as they migrate to new IPTV platforms, while creating opportunities for incremental revenue.

Telematics

- Achieved best fiscal year to date for additions of new moveable asset customers, including 58 new customers for the NERO asset tracking platform and the addition of over 1,250 net new subscriptions. Asset tracking-related telematics subscriptions now represent approximately 17% of total subscriptions.
- Significantly increased the number of moveable assets being monitored to over 48,000 units, an over 280% increase in the last eight quarters.
- In the municipal government market for vehicle monitoring systems, continued roll-out with a Canadian municipality for approximately 100 vehicle subscriptions, including winter operations vehicles.
- Achieved record full-year and Q4 margins of 67.7% and 72.4%, respectively.
- Achieved record full-year sales of $6.1 million.

4. Outlook

Around the globe, MSOs are upgrading their cable, fiber, and IPTV networks to expand capacity, respond to increasing competition, and meet customers' expectations for ever-faster internet speeds and enhanced services.

In the broadband market, these trends, together with significant government investment into rural broadband initiatives, are fueling a wave of demand for Vecima's world-class Entra DAA cable and fiber access solutions; demand that further amplifies the need to upgrade networks when compounded with the continuous capacity increases that must regularly occur. To date this demand has translated into record revenue growth for Vecima, including year-over-year consolidated sales increases of 50.5% in fiscal 2022 and 62.5% in fiscal 2023. With the industry poised to move to even wider adoption of DAA, we expect demand for our solutions will grow even stronger as we move into the latter part of fiscal 2024, while continuing to note that in the near term the macro environment is in transition.

As discussed in our Q3FY23 outlook, Vecima successfully managed major constraints in the supply chain to fulfill strong product deliveries in support of our customers' ongoing major network upgrade projects through fiscal 2023. Correspondingly, customers are now temporarily shifting from building up their product pipelines to managing their DAA rollout logistics, expanding field deployment activity, and working through existing inventories.

This is expected to lead to a temporary slowdown in Entra product deliveries in the first half of fiscal 2024, most notably in Q1, followed by an anticipated second half return to growth driven by new programs and deployments, as well as the work-down of inventory at customers nearing conclusion. In parallel, our Video and Broadband Solutions segment is preparing to launch major DAA rollouts with key customers in fiscal 2024, including supporting a Tier 1 customer's planned large scale cable access network upgrade to DAA with our ERM3 next-generation Remote PHY devices. By year-end our quarterly run rate is expected to reach new highs and we expect this momentum will continue to build into fiscal 2025 and beyond. As we have stated previously, we see a long and remarkable runway of growth for Entra.

Commercial Video sales, which include TerraceQAM and Terrace Family products, are expected to be slightly lower year-over-year as customers continue to transition to our next-generation Terrace IQ solution and as a portion of our Commercial Video solutions become DAA-driven and are accounted for as part of Entra family sales.

In our Content Delivery and Storage segment, demand for our IPTV and open caching solutions continues to grow as existing IPTV customers undertake network expansions and new customers come on board. We expect to build on the segment's strong fiscal 2023 sales performance with low double-digit growth in fiscal 2024. We also continue to see robust longer-term growth potential as IPTV gains momentum and our newer open caching and dynamic ad insertion solutions become an important driver of CDS performance.

In the Telematics segment, we anticipate incremental growth in subscriptions from the fleet tracking market, along with continued increases in demand for our asset tracking services that have been an important driver of segment differentiation and gains in recent quarters.

As we move forward, we anticipate that our market and product mix will continue to gradually shift to higher volume, lower-margin cable access products. Accordingly, we are targeting a gross margin percentage in the 45% to 49% range, and we expect this margin profile, combined with our operating expenses model, will support our targeted bottom line performance.

Overall, we expect fiscal 2024 will further demonstrate our ability to capture the major and multi-year opportunities in the compelling DAA and IPTV markets as we continue to build value for our shareholders.

5. 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 *(in thousands of dollars except common share data)*		**Years ended June 30, 2023**			2022			2021	
Sales	**$**	**303,437**	**100%**	$	186,814	100%	$	124,177	100%
Cost of sales		**161,466**	**53%**		96,852	52%		67,535	54%
Gross profit		**141,971**	**47%**		89,962	48%		56,642	46%
Operating expenses									
Research and development[1]		**45,950**	**15%**		36,552	20%		26,247	21%
Sales and marketing		**27,694**	**9%**		19,330	10%		13,720	11%
General and administrative		**29,428**	**10%**		22,761	12%		17,937	14%
Restructuring costs		**1,236**	**- %**		-	- %		-	- %
Share-based compensation		**2,502**	**1%**		881	- %		1,420	1%
Other expense (income)		**1,871**	**1%**		1,001	1%		(1,512)	- %
		108,681	**36%**		80,525	43%		57,812	47 %
Operating income (loss)		**33,290**	**11%**		9,437	5%		(1,170)	(1)%
Finance (expense) income		**(2,370)**	**(1)%**		(272)	- %		69	- %
Foreign exchange gain (loss)		**2,681**	**1%**		1,882	1%		(2,973)	(2)%
Income (loss) before taxes		**33,601**	**11%**		11,047	6%		(4,074)	(3)%
Income tax expense (recovery)		**6,389**	**2%**		2,358	1%		(1,889)	(1)%
Net income (loss) from continuing operations		**27,212**	**9%**		8,689	5%		(2,185)	(2)%
Net income from discontinued operations		**-**	**- %**		-	- %		1,854	2%
Net income (loss)		**27,212**	**9%**		8,689	5%		(331)	- %
Other comprehensive (loss) income		**(114)**	**- %**		831	- %		(3,196)	(3)%
Comprehensive income (loss)	**$**	**27,098**	**9%**	$	9,520	5%	$	(3,527)	(3)%
Net income (loss) per share[2]									
Basic – total	**$**	**1.15**		$	0.38		$	(0.02)	
Basic – continuing operations	**$**	**1.15**		$	0.38		$	(0.10)	
Diluted – total	**$**	**1.15**		$	0.38		$	(0.02)	
Diluted – continuing operations	**$**	**1.15**		$	0.38		$	(0.10)	
Other Data									
Total research and development expenditures[3]	**$**	**57,428**		$	43,461		$	35,023	
Adjusted EBITDA[4]	**$**	**59,817**		$	31,032		$	12,323	
Adjusted earnings (loss) per share[5]	**$**	**1.19**		$	0.41		$	(0.10)	
Number of employees[6]		**602**			592			481	

(1) *Net of investment tax credits and capitalized development costs.*
(2) *Based on weighted average number of common shares outstanding.*
(3) *Amounts are from continuing operations. 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 listed includes the full impact of restructuring activities initiated in the fourth quarter and completed in early July, 2023.*

Consolidated Statements of Financial Position *(in thousands of dollars except common share data)*		**June 30, 2023**		June 30, 2022		June 30, 2021
Cash and cash equivalents	$	2,278	$	12,902	$	28,909
Working capital	$	83,666	$	58,571	$	44,792
Total assets	$	331,686	$	262,608	$	214,732
Long-term debt[(1)]	$	14,123	$	15,115	$	4,107
Shareholders' equity	$	217,653	$	179,732	$	174,920
Number of common shares outstanding[(2)]		23,712,384		23,079,181		22,748,826

(1) *Since 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 net income 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 June 30,**				
(in thousands of dollars except per share amounts)		**2023**		2022		2021
Net income (loss)	**$**	**27,212**	$	8,689	$	(331)
Loss on sale of non-core PP&E, net of tax		**56**		154		-
Restructuring costs, net of tax		**976**		-		-
Gain on disposal of discontinued operations, net of tax		**-**		-		(2,007)
Impairment expense, net of tax		**-**		591		-
Adjusted net income (loss)	**$**	**28,244**	$	9,434	$	(2,338)
Net income (loss) per share	**$**	**1.15**	$	0.38	$	(0.02)
Loss on sale of non-core PP&E, net of tax		**-**		0.01		-
Restructuring costs, net of tax		**0.04**		-		-
Gain on disposal of discontinued operations, net of tax		**-**		-		(0.08)
Impairment expense, net of tax		**-**		0.02		-
Adjusted earnings (loss) per share[(1)(2)]	**$**	**1.19**	$	0.41	$	(0.10)

(1) *Adjusted earnings per share includes non-cash share-based compensation of $1.3 million or $0.05 per share for the three months ended June 30, 2023, and $2.5 million or $0.11 per share for the year ended June 30, 2023. The non-cash share-based compensation primarily reflects certain performance-based vesting thresholds achieved under the Company's Performance Share Unit Plan.*
(2) *Adjusted earnings per share includes foreign exchange gain of $1.3 million or $0.06 per share for the three months ended June 30, 2023 and $2.7 million or $0.11 per share for the year ended June 30, 2023.*

EBITDA and Adjusted EBITDA

The following table reconciles net income (loss) 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. EBITDA and Adjusted EBITDA are not recognized measures under IFRS and, accordingly, investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income, determined in accordance with IFRS, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted EBITDA *(in thousands of dollars)*	**Years ended June 30, 2023**	2022	2021
Net income (loss) from continuing operations	**$ 27,212**	$ 8,689	$ (2,185)
Income tax expense (recovery)	**6,389**	2,358	(1,889)
Interest expense	**2,390**	299	225
Depreciation of PP&E	**3,416**	2,827	2,346
Depreciation of right-of-use assets	**1,355**	1,264	1,523
Amortization of deferred development costs	**11,981**	10,643	7,567
Amortization of intangible assets	**3,265**	3,115	3,319
EBITDA from discontinued operations	**-**	-	2,351
EBITDA	**56,008**	29,195	13,257
Loss (gain) on sale of property, plant and equipment	**71**	208	(302)
Impairment losses	**-**	748	-
Restructuring costs	**1,236**	-	-
Gain on disposal of discontinued operations	**-**	-	(2,052)
Share-based compensation	**2,502**	881	1,420
Adjusted EBITDA	**$ 59,817**	$ 31,032	$ 12,323
Percentage of sales	**20%**	17%	10%

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 from Continuing Operations *(in thousands of dollars)*	**Years ended June 30, 2023**	2022	2021
Research and development per statement of income	**$ 45,950**	$ 36,552	$ 26,247
Deferred development costs	**23,354**	17,419	16,205
Investment tax credits	**117**	148	138
Amortization of deferred development costs	**(11,981)**	(10,643)	(7,567)
Government grants	**(12)**	(15)	-
Total research and development expenditures	**$ 57,428**	$ 43,461	$ 35,023
Percentage of sales	**19%**	23%	28%

6. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the years ended June 30, 2023 and 2022 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 2023				Fiscal 2022			
(in thousands of dollars except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Sales	**$ 75,522**	**$ 78,256**	**$ 76,212**	**$ 73,447**	$ 59,960	$ 50,872	$ 43,587	$ 32,395
Cost of Sales	**37,410**	**44,183**	**40,167**	**39,706**	31,478	26,914	21,767	16,693
Gross profit	**38,112**	**34,073**	**36,045**	**33,741**	28,482	23,958	21,820	15,702
Operating expenses								
Research and development	**12,851**	**12,053**	**10,341**	**10,705**	11,396	8,796	8,352	8,008
Sales and marketing	**7,842**	**6,929**	**6,619**	**6,304**	5,993	4,682	4,554	4,101
General and administrative	**7,923**	**8,389**	**7,522**	**5,594**	6,494	6,083	5,498	4,686
Restructuring costs	**1,236**	**-**	**-**	**-**	-	-	-	-
Share-based compensation	**1,300**	**289**	**815**	**98**	64	64	65	688
Other expense	**1,553**	**275**	**22**	**21**	767	215	13	6
	32,705	**27,935**	**25,319**	**22,722**	24,714	19,840	18,482	17,489
Operating income (loss)	**5,407**	**6,138**	**10,726**	**11,019**	3,768	4,118	3,338	(1,787)
Finance expense	**(877)**	**(738)**	**(554)**	**(201)**	(102)	(82)	(46)	(42)
Foreign exchange gain (loss)	**1,319**	**198**	**(138)**	**1,302**	1,427	(541)	(111)	1,107
Income (loss) before income taxes	**5,849**	**5,598**	**10,034**	**12,120**	5,093	3,495	3,181	(722)
Income tax expense (recovery)	**739**	**1,147**	**1,895**	**2,608**	1,609	505	1,708	(1,464)
Net income	**5,110**	**4,451**	**8,139**	**9,512**	3,484	2,990	1,473	742
Other comprehensive (loss) income	**(1,896)**	**(105)**	**(482)**	**2,369**	775	(750)	(110)	916
Comprehensive income	**$ 3,214**	**$ 4,346**	**$ 7,657**	**$ 11,881**	$ 4,259	$ 2,240	$ 1,363	$ 1,658
Net income per share								
Basic – total	**$ 0.21**	**$ 0.18**	**$ 0.35**	**$ 0.41**	$ 0.16	$ 0.13	$ 0.06	$ 0.03
Diluted – total	**0.21**	**0.18**	**0.35**	**0.41**	0.16	0.13	0.06	0.03
Adjusted EBITDA as reported	**$ 15,088**	**$ 11,700**	**$ 15,840**	**$ 17,189**	$ 11,121	$ 8,125	$ 7,447	$ 4,339

Quarter-to-Quarter Sales Variances

There are many factors that may 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 major new technology adoption such as the industry-wide migration to distributed access architecture. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders as do their installation schedules and any adjustments thereof. We are currently experiencing a transition in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate their focus to distributed access architecture and next-generation commercial video platforms.

Our Content Delivery and Storage segment also influences potential variations of our quarterly sales. Pronounced 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 and third quarters typically carrying slower customer activity.

7. Segmented Information

Sales

Segment		Three months ended June 30, 2023		2022		Years ended June 30, 2023		2022
Video and Broadband Solutions	**$**	**56,988**	$	49,399	**$**	**245,083**	$	137,891
Content Delivery and Storage		**17,089**		9,216		**52,283**		43,464
Telematics		**1,445**		1,345		**6,071**		5,459
Total Sales	**$**	**75,522**	$	59,960	**$**	**303,437**	$	186,814

Three-Month Sales

Total sales grew to $75.5 million in the fourth quarter of fiscal 2023, up 26% from $60.0 million in Q4 fiscal 2022 and 3% lower than the $78.3 million generated in Q3 fiscal 2023. The significant year-over-year sales growth reflects higher sales from the Video and Broadband Solutions segment, combined with record fourth quarter sales in our Content Delivery and Storage segment.

The Video and Broadband Solutions segment grew fourth quarter sales by 15% to $57.0 million, from $49.4 million in Q4 fiscal 2022 as customers continued their transition to Vecima's next-generation cable and fiber access DAA network solutions. On a sequential quarterly basis, Q4 sales were 12% lower than the $64.8 million generated in Q3 fiscal 2023.

- Next-generation Entra DAA products led the VBS segment growth with fourth quarter sales climbing 27% year-over-year to $50.7 million, from $40.0 million in the same period last year. As compared to Q3 fiscal 2023, Entra sales decreased 19% to $62.7 million as customers caught up on backlogged installations and worked to reduce existing inventories. We anticipate a resurgence of demand momentum in the second half of fiscal 2024 as we begin to launch major DAA rollouts with key customers.
- Commercial Video sales of $6.3 million were 29% lower than the $8.8 million achieved in Q4 fiscal 2022, but 199% higher than the $2.1 million generated in Q3 fiscal 2023. The year-over-year change reflects the transition to next-generation platforms and the impact of some of our newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales. The quarter-over-quarter improvement reflects stronger-than-expected TC600E sales in Q4.

The Content Delivery and Storage segment delivered a record quarter with sales growing 85% year-over-year to $17.1 million, from $9.2 million in Q4 fiscal 2022. On a sequential quarterly basis, CDS sales were up 45% from $11.8 million in Q3 fiscal 2023. Our record Q4 performance reflects significant IPTV expansion activity with customers, together with strong service revenues. Segment sales for the Q4 fiscal 2023 period included $10.3 million of product sales (Q4 fiscal 2022 - $4.5 million) and $6.8 million of services revenue (Q4 fiscal 2022 - $4.7 million). As always, we note that quarterly sales variances are typical for the CDS segment.

Fourth quarter Telematics sales of $1.4 million were slightly higher than the $1.3 million achieved in Q4 fiscal 2022 and lower than the $1.7 million achieved in Q3 fiscal 2023. Results for the quarter were consistent with our expectations.

Twelve-Month Sales

For the year ended June 30, 2023 total sales increased 62% to $303.4 million, from $186.8 million in fiscal 2022. The year-over-year sales growth reflects record contribution from our Video and Broadband Solutions segment, together with strong performance from our CDS segment.

Video and Broadband Solutions sales increased 78% year-over-year to $245.1 million, from $137.9 million in fiscal 2022, as customers began their transition to our next-generation DAA solutions.

- Full-year Entra deployments accelerated to $222.1 million, up $114.8 million, or 107%, from $107.3 million in fiscal 2022. Vecima carried out multiple Tier 1 customer deployments for Entra Remote PHY nodes, Remote MAC-PHY nodes and 10G EPON solutions during the year, including delivery of over 36,000 nodes and PON line cards, and over 107,880 million next-generation service groups with current or future 10G capability. Our fiscal 2023 Entra results included $158.9 million of sales from our distributed access solutions portfolio compared to $58.7 million in fiscal 2022, an increase of 171%.
- Commercial Video products sales of $22.2 million were 26% lower than the $29.9 million achieved in Q4 fiscal 2022. The year-over-year change reflects the transition to next-generation platforms and the impact of some of our newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales.

Fiscal 2023 sales from our Content Delivery and Storage segment grew 20% to $52.3 million, from $43.5 million in fiscal 2022 as we undertook multiple major IPTV expansions with customers during the year. Fiscal 2023 sales included $30.1 million of product sales (fiscal 2022 - $26.3 million) and $22.2 million of services revenue (fiscal 2022 - $17.2 million).

Telematics sales of $6.1 million in fiscal 2023 were 11% higher than the $5.5 million generated in fiscal 2022. The record year reflects successful penetration into targeted industry verticals for Moveable Asset Solutions.

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.

Segment	Three months ended June 30, 2023	2022	Years ended June 30, 2023	2022
Video and Broadband Solutions	**$ 29,118**	$ 26,417	**$ 134,961**	$ 74,482
Content Delivery and Storage	**7,892**	4,600	**24,544**	20,481
Telematics	**399**	461	**1,961**	1,889
Total cost of sales	**$ 37,409**	$ 31,478	**$ 161,466**	$ 96,852

Three-Month Results

For the three months ended June 30, 2023, total cost of sales increased 19% year-over-year to $37.4 million, primarily reflecting the 26% year-over-year increase in total sales. On a sequential quarterly basis, Q4 cost of sales decreased 15% from $44.2 million in Q3 fiscal 2023, reflecting the 3% quarter-over-quarter decrease in total sales as well as product mix.

Fourth quarter cost of sales in the Video and Broadband Solutions segment grew 10% to $29.1 million from $26.4 million in Q4 fiscal 2022 and decreased by 24% from $38.1 million in Q3 fiscal 2023. The year-over-year increase in cost of sales primarily reflects 15% higher VBS sales, a different product mix, and the lingering impact of supply chain constraints and expedite costs which resulted in higher costed inventory.

In the Content Delivery and Storage segment, fourth quarter cost of sales increased by 72% to $7.9 million, from $4.6 million in Q4 fiscal 2022, and were up 43% from $5.5 million in Q3 fiscal 2023. The increase in CDS sales was the primary driver of the higher cost of sales.

Fourth quarter cost of sales from the Telematics segment was $0.4 million, slightly lower than cost of sales of $0.5 million in Q4 fiscal 2022 and $0.6 million in Q3 fiscal 2023.

Twelve-Month Results

For the year ended June 30, 2023, total cost of sales was $161.5 million, a 67% increase from $96.9 million in fiscal 2022. This primarily reflects the 62% increase in total sales, as well as product mix and supply chain constraints which resulted in increased expedite costs.

Cost of sales in the Video and Broadband Solutions segment increased 81% to $135.0 million in fiscal 2023, from $74.5 million in fiscal 2022. The year-over-year increase reflects the 78% increase in VBS sales, a different product mix, and supply chain constraints that resulted in increased expedite costs.

In the Content Delivery and Storage segment, cost of sales increased by 20% to $24.5 million, from $20.5 million in fiscal 2022. The year-over-year increase reflects increased sales and product mix differences.

Cost of sales from the Telematics segment in fiscal 2023 was $2.0 million, up from the $1.9 million in fiscal 2022.

Gross Profit and Gross Margin

Segment		Three months ended June 30, 2023		2022		Years ended June 30, 2023		2022
Video and Broadband Solutions	**$**	**27,869**	$	22,983	**$**	**110,122**	$	63,410
Content Delivery and Storage		**9,197**		4,616		**27,739**		22,983
Telematics		**1,046**		883		**4,110**		3,569
Total gross profit	**$**	**38,112**	$	28,482	**$**	**141,971**	$	89,962
Video and Broadband Solutions		**48.9%**		46.5%		**44.9%**		46.0%
Content Delivery and Storage		**53.8%**		50.1%		**53.1%**		52.9%
Telematics		**72.4%**		65.7%		**67.7%**		65.4%
Total gross margin		**50.5%**		47.5%		**46.8%**		48.2%

Three-Month Results

For the three months ended June 30, 2023, total gross profit grew to $38.1 million, up 34% from $28.5 million in Q4 fiscal 2022 and 12% above the $34.1 million achieved in Q3 fiscal 2023. Gross margin for the fourth quarter grew to 50%, from 48% in Q4 fiscal 2022 and 44% in Q3 fiscal 2023. This was above our targeted range of 45% to 49% and primarily reflects higher sales and margins in the CDS segment, reduced expedite costs in our commercial video products, a large software feature sale for commercial video, combined with a favourable deferred revenue adjustment resulting from a change in contract terms in the Video and Broadband Solutions segment.

Fourth quarter gross profit from the Video and Broadband Solutions segment grew 21% to $27.9 million (gross profit margin of 49%), from $23.0 million (gross profit margin of 47%) in Q4 fiscal 2022 and grew 4% from Q3 fiscal 2023 gross profit of $26.7 million (gross profit margin of 41%). The year-over-year increase in gross profit reflects higher sales combined with reduced expedite costs in our commercial video products, a large software feature sale for commercial video and a favourable deferred revenue adjustment resulting from a change in contract terms.

In the Content Delivery and Storage segment, fourth quarter gross profit increased by 99% to $9.2 million (gross profit margin of 54%), from $4.6 million (gross profit margin of 50%) in the same period last year, reflecting increased sales and a higher-margin product mix. On a sequential quarterly basis, CDS gross profit was 47% higher than the $6.3 million (gross profit margin of 53%) generated in Q3 fiscal 2023.

Fourth quarter gross profit from the Telematics segment increased to $1.0 million (gross profit margin of 72%), from $0.9 million (gross margin of 66%) in Q4 fiscal 2022, but was slightly lower than the $1.1 million (gross margin of 65%) achieved in Q3 fiscal 2023. The year-over-year improvement in gross margin was mainly the result of lower product costs in the current quarter.

Twelve-Month Results

For the year ended June 30, 2023, total gross profit increased by $52.0 million, or 58%, to $142.0 million, from $90.0 million in fiscal 2022. This improvement primarily reflects significantly higher sales of our Entra DAA product line within the VBS segment. Full-year gross margin decreased to 47% from 48% in fiscal 2022, primarily reflecting lower-margin product mixes as compared to last year.

Gross profit from the Video and Broadband Solutions segment increased by $46.7 million, or 74%, to $110.1 million (gross margin of 45%), from $63.4 million (gross margin of 46%) in fiscal 2022. The higher gross profit dollars reflect increased sales, while the increased gross margin percentage reflects a higher-margin product mix and comparatively fewer supply chain constraints year-over-year.

The Content Delivery and Storage segment increased gross profit to $27.7 million (gross margin of 53%) in fiscal 2023, from $23.0 million (gross margin of 53%) last year. The increase in CDS gross profit and margin primarily reflects a shift in customer and product mix.

The Telematics segment generated gross profit of $4.1 million (gross margin of 68%) for the year ended June 30, 2023, an increase of 15% from $3.6 million (gross margin of 65%) achieved in fiscal 2022. Results from the segment were in line with our expectations.

Operating Expenses

Segment		Three months ended June 30, 2023		2022		Years ended June 30, 2023		2022
Video and Broadband Solutions	**$**	**23,785**	$	15,806	**$**	**75,793**	$	50,384
Content Delivery and Storage		**7,993**		7,990		**29,460**		27,062
Telematics		**927**		918		**3,428**		3,079
Total operating expense	**$**	**32,705**	$	24,714	**$**	**108,681**	$	80,525

Three-Month Results

For the three months ended June 30, 2023, total operating expenses were higher at $32.7 million, as compared to $24.7 million in the same period last year. The increase was primarily driven by higher operating expenses in the Video and Broadband Solutions segment.

Video and Broadband Solutions operating expenses increased to $23.8 million, from $15.8 million in Q4 fiscal 2022 and $19.6 million in Q3 fiscal 2023. The $8.0 million year-over-year increase primarily reflects additional expenses for research and development, general and administrative activities, and staffing, all related to sales growth.

Content Delivery and Storage operating expenses were $8.0 million in both Q4 fiscal 2023 and Q4 fiscal 2022 and $7.4 million in Q3 fiscal 2023. Higher expenditures on research and development and general and administrative activities were offset by impairment charges in the fourth quarter of fiscal 2022.

Telematics operating expenses of $0.9 million were consistent with Q4 fiscal 2022 and Q3 fiscal 2023.

Research and development expenses for Q4 fiscal 2023 increased to $12.9 million, or 17% of sales, from $11.4 million, or 19% of sales in the same period of fiscal 2022. This primarily reflects the hiring of additional R&D employees, the amortization of deferred development costs, and higher licensing costs, partially offset by increased capitalized development costs. 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 2023 increased to $15.3 million, or 20% of sales, from $12.7 million, or 21% of sales in Q4 fiscal 2022. The year-over-year increase reflects higher staffing costs as well as increased costs for software licensing in the current-year quarter as our next-generation product families moved closer to commercial deployment.

Sales and marketing expenses were $7.8 million, or 10% of sales in Q4 fiscal 2023, compared to $6.0 million, or 10% of sales in the same period last year. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in travel, entertainment, and trade show expenses.

General and administrative expenses increased to $8.0 million, or 10% of sales in Q4 2023, compared to $6.5 million, or 11% of sales in the same period last year. The year-over-year increase primarily reflects additional staffing, travel and entertainment, training and development and subcontracting costs.

Restructuring costs were $1.2 million in Q4 fiscal 2023, compared to $nil in Q4 fiscal 2022. The increase is a result of restructuring activities undertaken in Q4 fiscal 2023 to better align the Company's resources with our strategy and outlook.

Stock-based compensation expense was $1.3 million in Q4 fiscal 2023, as compared to $0.1 million in Q4 fiscal 2022. The increase was the result of increased amortization as a result of performance-based units that vested in the current period.

Other expenses were $1.6 million in Q4 fiscal 2023, an increase from other expenses of $0.8 million in Q4 fiscal 2022. This primarily relates to cancellation penalties incurred on supplier contracts, partially offset by impairment charges in fiscal 2022.

Twelve-Month Results

For the year ended June 30, 2023, total operating expenses increased to $108.7 million, from $80.5 million in fiscal 2022. This increase primarily reflects higher operating expenses in both the Video and Broadband Solutions and Content Delivery and Storage segments associated with recent sales increases and our future growth plans.

Video and Broadband Solutions operating expenses for the year ended June 30, 2023 increased to $75.8 million, from $50.4 million in fiscal 2022. Higher expenditures on research and development, sales and marketing, and general and administrative activities and staffing were planned and relate to our successful efforts to increase sales of our next-generation products.

Content Delivery and Storage operating expenses of $29.5 million for the year ended June 30, 2023 were higher than the $27.1 million recorded in fiscal 2022. Higher expenditures on research and development and general administrative costs were the main factors for the increase.

Telematics operating expenses of $3.4 million in fiscal 2023 were higher than the $3.1 million recorded last year. The $0.3 million increase primarily reflects higher research and development expense due to lower capitalized development year-over-year and an increase in marketing expenses related to increased staffing.

Research and development expenses for the year ended June 30, 2023 increased to $45.9 million, or 15% of sales, from $36.6 million, or 20% of sales in fiscal 2022. This mainly reflects increased subcontracting costs, amortization of deferred development costs, and increased staffing and software licensing, partially offset by higher deferred development costs in the current year. 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, 2023 increased to $57.4 million, or 19% of sales, from $43.5 million, or 23% of sales for the fiscal 2022 period. This increase reflects higher costs for subcontracting, staffing, software licensing, and prototyping as our next-generation product families move closer to commercial deployment.

Sales and marketing expenses increased to $27.7 million, or 9% of sales in fiscal 2023, from $19.3 million, or 10% of sales last year. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in trade show, travel and entertainment activity year-over-year.

General and administrative expenses increased to $29.5 million in fiscal 2023, from $22.8 million in fiscal 2022. The year-over-year increase primarily reflects additional staffing to support the increase in sales, together with ERP implementation and higher training and development and travel and entertainment costs.

Restructuring costs were $1.2 million in fiscal 2023, compared to $nil in Q4 fiscal 2022. The increase is a result of restructuring activities in Q4 fiscal 2023 to better align the company's resources with our strategy and outlook.

Stock-based compensation expense was $2.5 million in fiscal 2023, as compared to $0.9 million in fiscal 2022. Higher amortization of performance-based units that vested in the current fiscal year compared to the prior fiscal year was the key factor in this change.

Other expense was $1.9 million for the year ended June 30, 2023, an increase from income of $1.0 million in fiscal 2022. The higher expense primarily relates to cancellation penalties incurred on supplier contracts as we worked to balance our inventories, partially offset by impairment charges in fiscal 2022.

Operating Income (Loss)

Segment		Three months ended June 30, 2023		2022		Years ended June 30, 2023		2022
Video and Broadband Solutions	**$**	**4,084**	$	7,177	**$**	**34,329**	$	13,026
Content Delivery and Storage		**1,204**		(3,375)		**(1,721)**		(4,080)
Telematics		**119**		(34)		**682**		491
Total operating income	**$**	**5,407**	$	3,768	**$**	**33,290**	$	9,437

Three-Month Results

Operating income increased to $5.4 million in Q4 fiscal 2023 from $3.8 million in Q4 fiscal 2022. The increase was primarily due to higher sales in the Content Delivery and Storage segment, partially offset by increased operating costs in the VBS segment with higher R&D and staffing aimed at supporting future growth.

The Video and Broadband Solutions segment generated fourth quarter operating income of $4.1 million, as compared to $7.2 million in Q4 fiscal 2022. The year-over-year decrease reflects the increase in segment operating costs, partially offset by a favourable deferred revenue adjustment in the fourth quarter.

Content Delivery and Storage recorded operating income of $1.2 million in the fourth quarter, as compared to an operating loss of $(3.4) million in the same period of fiscal 2022. The year-over-year improvement primarily reflects the significant increase in sales and margins, partially offset by higher operating costs.

Telematics operating income increased to $0.1 million in Q4 fiscal 2023, from $nil in Q4 fiscal 2022. This reflects higher sales and margins with flat operating costs.

Finance expense was $0.9 million in Q4 fiscal 2023, as compared to $0.1 million in the same period of fiscal 2022. This reflects increased interest costs related to our revolving line of credit and higher interest rates.

Foreign exchange gain for the fourth quarter was $1.3 million, compared to $1.4 million in the prior-year period.

Income tax expense was $1.1 million in Q4 fiscal 2023, as compared to $1.6 million in Q4 fiscal 2022.

Net income for Q4 fiscal 2023 increased to $5.1 million or $0.21 per share, from $3.5 million or $0.16 per share in Q4 fiscal 2022.

Other comprehensive income (loss) was $(1.9) million in Q4 fiscal 2023, as compared to other comprehensive income of $0.8 million in the same period in fiscal 2022. 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 income for Q4 fiscal 2023 was $3.2 million compared to $4.3 million in Q4 fiscal 2022. The decrease year-over-year was the result of the changes described above.

Twelve-Month Results

For the year ended June 30, 2023, we generated operating income of $33.3 million, compared to operating income of $9.4 million in fiscal 2022. The significant year-over-year improvement mainly reflects increased sales and margins from the VBS and CDS segments, partially offset by higher operating costs.

Video and Broadband Solutions increased operating income to $34.3 million in fiscal 2023, from operating income of $13.0 million in fiscal 2022. The significant year-over-year increase reflects higher sales of next-generation Entra DAA products in the VBS segment.

Content Delivery and Storage reported an operating loss of $1.7 million during the current year, compared to an operating loss of $4.1 million in fiscal 2022. The year-over-year decrease in operating loss primarily reflects higher sales and margins, partially offset by higher operating costs.

Telematics operating income increased to $0.7 million in fiscal 2023, from $0.5 million in the prior year, reflecting higher sales and margins with flat operating costs.

Finance expense was $2.4 million in fiscal 2023 compared to $0.3 million in the same period of fiscal 2022. This reflects increased interest costs related to our revolving line of credit and the impact of higher interest rates.

Foreign exchange gain for the year ended June 30, 2023 was a gain of $2.7 million, compared to a gain of $1.9 million in fiscal 2022.

Income tax expense was $6.4 million for the year ended June 30, 2023, compared to a $2.4 million income tax recovery in fiscal 2022.

Net income for the year ended June 30, 2023 was $27.2 million or $1.15 per share, compared to $8.7 million or $0.38 per share in fiscal 2022.

Other comprehensive income (loss) was $(0.1) million in the year ended June 30, 2023, compared to other comprehensive income of $0.8 million in fiscal 2022. 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 income for the year ended June 30, 2023 increased to $27.1 million, from $9.5 million in fiscal 2022.

Operating Activities

For the three months ended June 30, 2023, cash flow from operating activities was $4.6 million, as compared to $10.4 million for the same period in fiscal 2022. The $5.8 million change reflects a $7.3 million decrease in cash flow from non-cash working capital, partially offset by a $1.5 million increase in operating cash flow.

For the year ended June 30, 2023, cash flow used in operating activities was $11.0 million, as compared to cash flow from operating activities of $3.3 million in fiscal 2022. The $14.3 million increase in cash flow used in operations reflects a $40.3 million decrease in cash flow from non-cash working capital driven primarily by the building of inventory to support growth and minimize the impact of supply chain constraints, partially offset by a $26.0 million increase in operating cash flow.

Investing Activities

For the three months ended June 30, 2023, cash flow used in investing activities increased to $6.8 million, from cash flow used in investing activities of $5.8 million in the same period last year. This increase reflects deferred development expenditures of $6.1 million (Q4 fiscal 2022 - $4.5 million) and the purchase of property, plant and equipment of $0.7 million (Q4 fiscal 2022 - $1.3 million).

For the year ended June 30, 2023, cash flow used in investing activities increased to $26.4 million, from cash flow used in investing activities of $23.3 million in fiscal 2022. This increase reflects deferred development expenditures of $23.3 million (fiscal 2022 - $17.4 million) and the purchase of property, plant and equipment of $3.0 million (fiscal 2022 - $5.9 million).

Financing Activities

For the three months ended June 30, 2023, we repaid $0.3 million of our long-term debt (Q4 fiscal 2022 - $0.06 million), received proceeds from exercised options of $nil (Q4 fiscal 2022 - $0.1 million), repaid lease liabilities of $0.5 million (Q4 fiscal 2022 - $0.4 million), paid dividends of $1.3 million (Q4 fiscal 2022 - $1.3 million), obtained a server equipment loan of $nil (Q4 fiscal 2022 - $0.2 million), transferred $1.3 million (Q4 fiscal 2022 - $nil) in common share value into escrow to settle PSU withholding tax requirements and utilized $4.2 million (Q4 fiscal 2022 - $nil) of the revolving line of credit.

For the year ended June 30, 2023, we repaid $0.8 million of our short and long-term debt (fiscal 2022 - $0.3 million), received proceeds from exercised options of $0.4 million (fiscal 2022 - $0.6 million), paid dividends of $5.2 million (fiscal 2022 - $5.1 million), repaid lease liabilities of $1.8 million (fiscal 2022 - $1.6 million), obtained a term loan of $nil (fiscal 2022 - $12.2 million), obtained a server equipment loan of $nil (fiscal 2022 - $0.2 million), transferred $(2.8) million (fiscal 2022 - $(1.1) million) in common share value into escrow to settle PSU withholding tax requirements and utilized $20.5 million (fiscal 2022 - $nil) of the revolving line of credit.

8. 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 cash equivalents of $2.3 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, 2023, we had an authorized line of credit of $55 million (June 30, 2022 - $25 million) of which $20.5 million (June 30, 2022 - $nil) was drawn on as of June 30, 2023. The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable and 40% of certain inventory (to a maximum of $27.5 million). We also had a term loan of $12.2 million (June 30, 2022 - $12.2 million), a server equipment loan of $nil (June 30, 2022 - $0.2 million), an insurance financing loan of $0.4 million (June 30, 2022 - $nil) and a credit line of $1.1 million (June 30, 2022 - $1.2 million) as at June 30, 2023. As at June 30, 2023, the Company had an outstanding letter of credit of $15,907 with a supplier, which reduced the available line of credit to $18,580 which was returned subsequent to year-end.

Capital expenditures for fiscal 2023 were $3.0 million, compared to $5.9 million in fiscal 2022.

Working Capital

Working capital represents current assets less current liabilities. Our working capital increased to $83.7 million at June 30, 2023, from $58.6 million at June 30, 2022. We note that working capital balances can 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 $57.7 million at June 30, 2023, from $49.7 million at June 30, 2022. This increase reflects the higher sales in Q4 fiscal 2023 compared to Q4 fiscal 2022, and the timing of sales in Q4 fiscal 2023 compared to Q4 fiscal 2022.

Income tax receivable balance was relatively flat at $0.5 million at June 30, 2023 (June 30, 2022 - $0.7 million). This balance represents income tax receivable in the CDS and VBS segments.

Inventories increased by $52.0 million to $101.6 million at June 30, 2023, from $49.6 million as at June 30, 2022. The increase represents the buildup of inventory related to the ramp up of sales and new product inventory, as well as strategies undertaken to manage supply chain challenges. Finished goods inventories were $55.3 million at June 30, 2023, compared to $25.1 million at June 30, 2022. Raw material inventory increased to $41.2 million at June 30, 2023, from $22.1 million at June 30, 2022. Work-in-progress inventories increased to $5.1 million as at June 30, 2023, from $2.4 million at June 30, 2022. We manufacture and assemble products, with the result that inventory levels will be substantially higher than other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were $24.3 million at June 30, 2023 compared to $23.0 million at June 30, 2022. For every dollar we spend on eligible research and development in Canada, we generate approximately 15 cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities increased to $47.2 million at June 30, 2023, from $48.2 million at June 30, 2022. The increase is primarily due to the build-up of inventory related to higher sales and strategies undertaken to manage supply chain challenges.

Income tax payable balance was $7.8 million at June 30, 2023 (June 30, 2022 - $0.2 million). This balance represents income tax payable for our U.S. operations.

Long-term debt, including the current portion, increased to $16.4 million at June 30, 2023, from $16.9 million at June 30, 2022.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
September 20, 2022	$0.055	October 7, 2022	November 7, 2022
November 8, 2022	$0.055	November 25, 2022	March 19, 2022
February 7, 2023	$0.055	February 24, 2023	March 27, 2023
May 9, 2023	$0.055	May 26, 2023	June 19, 2023

Contractual Obligations

Lease liabilities reported in our consolidated statements of financial position as at June 30, 2023 were $2.7 million. Our lease liabilities do not include short-term leases or low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at June 30, 2023, our undiscounted future cash payments in respect of our lease liabilities were as follows: $1.6 million due within one year; $1.1 million due between two-to-five years; and $0.3 million thereafter.

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. As at June 30, 2023, the contractual obligation, based on forecasted commitments, was estimated to be $6.9 million, of which $nil is deemed to be onerous. The contract was cancelled in the fourth quarter of fiscal 2023 with the impact reflected in the Company's Consolidated Financial Statements. Commitments at June 30, 2023 reflect what is remaining after settlement.

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 regard 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 fiscal Q3 and Q4 2020 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. The notice of appeal resulted in a settlement of 65% of the original claim with the impact reflected in the fourth quarter of 2023.

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, 2023, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to $1.326 from $1.290 as at June 30, 2022. This $0.036 exchange difference increased the value of our $53.9 million U.S. dollar net assets by approximately $1.9 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, 2023, we had three open FX forward contracts with an asset position of $0.6 million (June 30, 2022 - $nil).

9. 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.

10. Transactions Between Related Parties

On August 1st, 2022, Vecima entered into a building lease with one of our principal shareholders. The lease terms are at fair market value. Total lease payments, including interest, in fiscal 2023 were $0.1 million. There were no other related-party transactions in fiscal 2023.

11. Proposed Transactions

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

12. Critical Accounting Judgements and 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. 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. Actual results could differ from those estimates.

Functional currency

We assess 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. are primarily transacted in U.S. dollars ("USD"). Our cost of materials is denominated in both Canadian and U.S. dollars and labour costs are 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 our primary economic environment, we assess 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 these factors, we 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 and labour costs are 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, we determined that the functional currency for Vecima Technology Inc. is USD.

Sales by Vecima Solutions Corporation (a subsidiary of the Company) are primarily transacted in Japanese Yen. The cost of materials is denominated in Japanese Yen, however certain inventory purchases 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, we determined that the functional currency for Vecima 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 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, we determined that the functional currency for Vecima Technology (UK) Ltd. is GBP.

Sales by Vecima Technology B.V. (a subsidiary of the Company) are primarily transacted in Euro. The cost of materials and labour costs are denominated fully in Euro. While equity transactions are denominated in Canadian dollars, intercompany financing activities and receipts from operations are denominated in Euro. Based on all these factors, we determined that the functional currency for Vecima Technology B.V. is Euro.

Sales by Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd., (subsidiaries of the Company) are transacted in Renminbi ("RMB"). The cost of materials and labour costs are denominated in RMB. Equity and debt financing activities are both denominated in RMB and receipts from operations are retained in RMB. Based on all of these factors, we determined that the functional currency for Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd. is RMB.

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, we estimate the stand-alone selling price for each distinct performance obligation based on a 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 our accounting policy. 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.

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

We measure 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 the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of 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 as follows:

Years ended June 30,		**2023**		2022
Weighted average share price	**$**	**18.94**	$	16.00
Expected option life		**6.00 years**		6.00 years
Risk-free rate of return		**3.41%**		1.12%
Volatility factor		**23.47%**		21.55%
Expected dividends		**1.30%**		1.36%
Forfeiture rate		**4.54%**		3.36%

Income taxes

The amounts of deferred tax assets and liabilities are estimated with consideration given to the timing, source and amounts of future taxable income together with tax planning strategies. 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

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

The application of IFRS 16 requires us to make estimates that affect the measurement of right-of-use assets and liabilities, including:

- 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 we 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.

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; and
- provisions, contingent liabilities and the fair value of financial assets.

13. Accounting Pronouncements and Standards

Adoption of New Accounting Standards in 2023

The following standards were adopted in the year:

Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use

On May 14, 2020, the IASB issued amendments to IAS16, which prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments become effective for annual reporting periods beginning on or after January 1, 2022.

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.

Standards and Amendments to Standards Issued but not yet Effective

Amendments to IAS 1 – Presentation of financial statements (IAS1)

On January 23, 2020, the IASB issued amendments to IAS 1 in respect of the classification of liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments become effective for annual reporting periods beginning on or after January 1, 2024.

Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8)

On 12 February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 12 – Income Taxes – comprehensive balance sheet method

On May 7, 2021 the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023.

We are assessing the impacts, if any, that the remaining standards or amendments will have on our consolidated financial statements.

14. 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, 2023.

15. 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, 2023 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, 2023. There has been no change in the internal controls over financial reporting that occurred during the period beginning on April 1, 2023 and ended on June 30, 2023 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting.

16. 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 the 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.

17. Risks and Uncertainties

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.

Third-party Component Supply

We maintain a global sourcing strategy and depend on third-party suppliers for certain components, subcomponents and raw materials used in our products. As an example, several of our products require specific components including silicon chips, for which reliable, high-volume supply is often available only from limited sources and for which we do not have guarantees of supply. While supply chain constraints have eased from the highs of the Covid-19 pandemic, the potential for such components to be in short supply or delayed in reaching us, could potentially result in product shipping delays and increased costs, which in turn, could adversely impact our gross margin and results of operations.

18. Outstanding Share Data

As at September 19, 2023, we had 24,301,594 common shares outstanding as well as stock options outstanding that are exercisable for an additional 37,312 common shares, and performance share units outstanding that are exercisable for an additional 277,985 common shares.

On April 25, 2023, 132,218 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $1.4 million. We withheld 56,215 common shares at a market value of $1.3 million to settle withholding tax obligations on the issuance of the common share awards.

On February 7, 2023, 7,956 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $0.02 million. We withheld 2,405 common shares at a market value of $0.1 million to settle withholding tax obligations on the issuance of the common share awards.

On December 19, 2022, 185,269 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $1.0 million. We withheld 71,037 common shares at a market value of $1.4 million to settle withholding tax obligations on the issuance of the common share awards.

On December 14, 2022, we closed two common share offerings for the sale of 957,880 common shares at a price of $17.75 per share with total aggregate gross proceeds of $17.0 million. Share issuance costs in connection with the share offerings amounted to $1.1 million.

On September 9, 2022, 7,955 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $0.05 million. We withheld 2,404 common shares at a market value of $0.04 million to settle withholding tax obligations on the issuance of the common share awards.

On January 12, 2022, we announced our filing of a final short form base shelf prospectus with the securities commissions or similar regulatory authorities in each of the provinces of Canada, except for Quebec. The base shelf prospectus will allow us to offer up to $150 million of common shares, warrants, subscription receipts, units, debt securities and share purchase contracts from time to time over the 25-month period after the applicable Canadian securities regulatory authorities have issued a receipt for the final short form base shelf prospectus.

On July 8, 2021, 187,487 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $1.0 million. We withheld 63,478 common shares at a market value of $1.1 million to settle withholding tax obligations on the issuance of the common share awards.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by 684739 B.C. Ltd. (the “Principal Shareholder”) which is beneficially owned by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar. As at June 30, 2023, the Principal Shareholder collectively owned approximately 57% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities. Each common share carries the right to one vote. We have no other classes of voting securities.

19. 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: The Entra ERM3 RPD is expected to be used for a substantial portion of Charter's network upgrade; and we believe that our current cash 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 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 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 large customers; a small number of our shareholders control us; sale of common shares by our controlling shareholders could cause the share price to fall; volatility in our common share price; dilution from the exercise of stock options or settlement of performance share units; liquidity of common shares; our share price shall fluctuate; 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 continue to adapt content delivery products to add features allowing deployments to cable, IPTV, and Internet CDN providers to enable multi-screen video delivery; the failure to execute on this transition or execute quickly enough, may adversely affect our business; if content providers, such as movie studios, limit the scope of content licensed for use in the digital content delivery market, our business, financial condition and results of operations could be negatively affected because the potential market for our products would be more limited than we currently believe; 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 operations depend on information technology systems, which may be disrupted or may not operate as desired; 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; we utilize open source software, which could enable our competitors to gain access to our source code and distribute it without paying us any license fees; we have software license agreements covering the use of our software as combined with software provided by specific key integrated circuit vendor(s) and the associated integrated circuits provided by those vendor(s), failure to maintain these agreements or maintain them with commercially reasonable terms could limit our ability to market certain products and affect our business; 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; there are risks associated with our international operations; impacts to trade relationships between the United States and China may adversely affect Vecima’s profitability; currency fluctuations may adversely affect us; changes in interest rates on debt securities 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; the cable and telecommunications industries are experiencing consolidation, which could result in delays or reductions in purchases of products and services, which could have a material adverse effect on Vecima’s 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; we may be subject to liability if private information supplied to our customers is misused; and epidemics, pandemics or other public health crises. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties" 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.

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, 2023, 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 19, 2023

/s/ "Dale Booth"
Dale Booth
Chief Financial Officer
DATE: September 19, 2023

Independent Auditor’s Report

Grant Thornton LLP

11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4

T +1 416 366 0100
F +1 416 36 4949

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, 2023 and 2022, and the consolidated statements of comprehensive income, 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, 2023 and 2022 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Recoverability of the carrying value of finite-life deferred development costs not yet available for use</u>

As discussed in Note 2(m), 2(p) and Note 11 to the consolidated financial statements, development costs incurred by the Company are capitalized and deferred as finite-life intangible assets. Intangible assets with a finite-life, which are not yet available for use are required to be tested for impairment at least annually. As at June 30, 2023 the balance of such costs is $42 million, which is included in the total balance of intangible assets.

Auditing management's impairment test is complex and judgmental due to the estimation required in determining the recoverable amount of the finite-life intangible assets not yet available for use. The recoverable amount was estimated using a discounted cash flow model. Judgements with the highest degree of subjectivity and impact include forecasts of future operating performance and discount rates. Changes in these assumptions could have a significant impact on the recoverable amount of finite-life intangible assets not yet available for use, resulting in an impairment charge.

The recoverability of the carrying value of finite-life deferred development costs not yet available for use was determined to be a key audit matter given the significance of the balance to the consolidated financial statements, and that the accounting is highly judgmental and includes estimation uncertainty with respect to the recoverable amount.

Our audit procedures related to the key assumptions included the following, among others:

- Evaluated the design effectiveness of internal controls over the estimation process used by management
- Evaluated the reasonableness of management's forecasts of future operating performance by comparing the forecasts to:
  - Historical operating performance
  - Approved business plans
  - Internal communications to management and Board of Directors
- Performed a sensitivity analysis on management's forecasts of future operating performance
- With the assistance of valuation specialists, evaluated the reasonableness of discount rates by:
  - Tested the source information underlying the determination of discount rates
  - Reviewed relevant internal and external information, including publicly available market data to assess the reasonability of the discount rate
  - Developed an independent estimate for the discount rate and compared it to that selected by management

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.

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 the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to 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 but 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 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Grant Thornton LLP

Toronto, Canada
September 19, 2023

Chartered Professional Accountants
Licensed Public Accountant

VECIMA NETWORKS INC.
Consolidated Statements of Financial Position
(in thousands of Canadian dollars, except per share amounts)

As at	Note		**June 30, 2023**		June 30, 2022
Assets					
Current assets					
Cash and cash equivalents	4	$	2,278	$	12,902
Accounts receivable	5		57,662		49,655
Income tax receivable			530		693
Inventories	6		101,601		49,608
Prepaid expenses and other current assets	7		13,695		7,302
Contract assets	20(b)		2,707		1,335
Total current assets			**178,473**		**121,495**
Non-current assets					
Property, plant and equipment	8		15,683		16,483
Right-of-use assets	9		2,364		2,626
Goodwill	10		15,049		14,813
Intangible assets	11		82,991		75,917
Other long-term assets			1,298		1,440
Investment tax credits	13		24,252		23,041
Deferred tax assets	14		11,576		6,793
Total assets		**$**	**331,686**	**$**	**262,608**
Liabilities and shareholders' equity					
Current liabilities					
Revolving line of credit	15	$	20,513	$	-
Accounts payable and accrued liabilities	16		47,162		48,172
Provisions	17		1,978		659
Income tax payable			7,808		182
Deferred revenue	20(c)		15,086		12,129
Current portion of long-term debt	18		2,260		1,782
Total current liabilities			**94,807**		**62,924**
Non-current liabilities					
Provisions	17		387		366
Deferred revenue	20(c)		4,716		4,465
Deferred tax liability	14		-		6
Long-term debt	18		14,123		15,115
Total liabilities			**114,033**		**82,876**
Shareholders' equity					
Share capital	19(a)		23,997		7,935
Reserves			3,111		3,141
Retained earnings			190,926		168,923
Accumulated other comprehensive loss			(381)		(267)
Total shareholders' equity			**217,653**		**179,732**
Total liabilities and shareholders' equity		**$**	**331,686**	**$**	**262,608**

Contractual obligation – Note 30; Contingent liability Note 31; Subsequent events – Note 32
The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ "Scott Edmonds" *Scott Edmonds* *Director*

/s/ "Danial Faizullabhoy" *Danial Faizullabhoy* *Director*

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

Years ended June 30,	Note		**2023**		2022
Sales	20(a), 24	**$**	**303,437**	**$**	**186,814**
Cost of sales			**161,466**		**96,852**
Gross profit			**141,971**		**89,962**
Operating expenses					
Research and development			45,950		36,552
Sales and marketing			27,694		19,330
General and administrative			29,428		22,761
Restructuring costs			1,236		-
Share-based compensation	19(d)		2,502		881
Other expense	21		1,871		1,001
Total operating expenses			**108,681**		**80,525**
Operating income			**33,290**		**9,437**
Finance expense	22		(2,370)		(272)
Foreign exchange gain			2,681		1,882
Income before income taxes			**33,601**		**11,047**
Income tax expense	14		6,389		2,358
Net income		**$**	**27,212**	**$**	**8,689**
Other comprehensive income (loss)					
Item that may be subsequently reclassed to net income					
Exchange differences on translating foreign operations		$	(114)	$	831
Comprehensive income		**$**	**27,098**	**$**	**9,520**
Net income per share					
Basic	23	$	1.15	$	0.38
Diluted	23	$	1.15	$	0.38
Weighted average number of common shares					
Shares outstanding – basic	23		23,712,384		23,079,181
Shares outstanding – diluted	23		23,736,484		23,114,389

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 (loss) income	Total
Balance as at June 30, 2021		$ 7,299	$ 3,407	$ 165,312	$ (1,098)	$ 174,920
Net income		-	-	8,689	-	8,689
Other comprehensive income		-	-	-	831	831
Dividends		-	-	(5,078)	-	(5,078)
Shares issued by exercising options	19(a)	733	(171)	-	-	562
PSUs settled in common shares	19(a)	976	(976)	-	-	-
Withholding taxes on PSUs	19(a)	(1,073)	-	-	-	(1,073)
Share-based payment expense	19(d)	-	881	-	-	881
Balance as at June 30, 2022		**$ 7,935**	**$ 3,141**	**$ 168,923**	**$ (267)**	**$ 179,732**
Net income		-	-	27,212	-	27,212
Other comprehensive loss		-	-	-	(114)	(114)
Dividends		-	-	(5,209)	-	(5,209)
Common share issuance	19(a)	15,926	-	-	-	15,926
Shares issued by exercising options	19(a)	502	(106)	-	-	396
PSUs settled in common shares	19(a)	2,426	(2,426)	-	-	-
Withholding taxes on PSUs	19(a)	(2,792)	-	-	-	(2,792)
Share-based payment expense	19(d)	-	2,502	-	-	2,502
Balance as at June 30, 2023		**$ 23,997**	**$ 3,111**	**$ 190,926**	**$ (381)**	**$ 217,653**

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		**2023**		2022
OPERATING ACTIVITIES					
Net income		$	27,212	$	8,689
Adjustments for non-cash items:					
Loss on disposal of property, plant and equipment	21		71		208
Depreciation and amortization	29		20,017		17,849
Impairment on deferred development costs			-		712
Share-based compensation	19(d)		2,502		881
Income tax expense	14		11,178		1,883
Deferred income tax expense (recovery)	14		(4,789)		475
Interest expense			2,390		299
Interest income	22		(20)		(27)
Net change in working capital	29		(66,064)		(25,748)
Decrease (increase) in other long-term assets			152		(110)
Increase (decrease) in provisions			1,290		(787)
Increase in investment tax credits			(117)		(147)
Income tax received			-		164
Income tax paid			(2,614)		(883)
Interest received			20		29
Interest paid			(2,233)		(154)
Cash (used in) provided by operating activities			**(11,005)**		**3,333**
INVESTING ACTIVITIES					
Capital expenditures, net	29		(3,012)		(5,868)
Deferred development costs	11		(23,342)		(17,405)
Cash used in investing activities			**(26,354)**		**(23,273)**
FINANCING ACTIVITIES					
Proceeds from the revolving line of credit	15		20,513		-
Principal repayments of lease liabilities	18		(1,805)		(1,584)
Repayment of long-term debt	18		(772)		(250)
Proceeds from long-term debt	18		585		12,410
Dividends paid			(5,209)		(5,078)
Gross proceeds from issuing shares	19(a)		17,002		-
Share issuance costs	19(a)		(1,076)		-
Issuance of shares through exercised options	19(a)		396		562
Withholding taxes on PSUs	19(d)		(2,792)		(1,073)
Cash provided by financing activities			**26,842**		**4,987**
Net decrease in cash and cash equivalents			**(10,517)**		**(14,953)**
Effect of change in exchange rates on cash			(107)		(1,054)
Cash and cash equivalents, beginning of year			12,902		28,909
Cash and cash equivalents, end of year		**$**	**2,278**	**$**	**12,902**

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, 2023 and 2022, were approved by the Board of Directors and authorized for issue on September 19, 2023.

(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(z).

(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 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. Only those acquisitions that result in acquiring control of the entities are accounted for as business combinations. Refer to Note 2(c) for the Company’s determination of the existence of control. 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.

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 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.

(i) Leases

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.

As permitted under IFRS 16, lease payments for short-term and leases of low-value assets are expensed over the lease term to the consolidated statements of comprehensive income.

<u>Lessor accounting</u>

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.

(j) 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.

(k) Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost. Intangible assets acquired through a business acquisition are measured at fair value. 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.

(l) 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.

(m) 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.

In Canada, 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.

(n) Investment Tax Credits

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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

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

A revolving line of credit, 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 in foreign exchange gain.

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.

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.

(t) 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 value of long-term debt with variable rates of interest approximate carrying value due to interest rates being at market.

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.

(u) 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.

(v) Net income per share

Basic net income per share is calculated by dividing net income 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 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 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.

(w) Share-based compensation

Stock options

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 an optionee using the Black-Scholes option-pricing model. The cost of the options granted is recognized and expensed over the vesting period in which service conditions are fulfilled. When an optionee 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.

Performance Share Units (PSUs)

The Company has a performance share unit ("PSU") plan which provides that PSUs may be granted to officers, employees and directors of the Company. Each PSU contains three tranches, each of which vest upon the achievement of certain closing market trading prices of the Company's common shares for a period of twenty consecutive business days. Each PSU entitles the holder to acquire one common share of the Company when vested.

The Company calculates the fair value of the PSUs by performing a Monte Carlo simulation approach over the term of the PSUs. On the grant date, the Company estimates the estimated achievement date of each market condition. The cost of the PSUs granted is then recognized and expensed straight-line over a time frame calculated as the period from the grant date until the expected market condition achievement date. Forfeitures are estimated on grant based on past experience and future expectations, and the amount recognized in expense is adjusted upon vesting.

The PSU plan contains a net settlement feature by which the Company may withhold a number of common shares that, based on the publicly traded market price on the date of vest, have an aggregate value equal to the withholding taxes that would have been required to be withheld had the full amount of vested PSUs been issued in common shares. On issuance, the transaction is accounted for as though the entire amount of vested PSUs had been granted in common shares, and the Company subsequently re-purchased the withheld common shares at a market price.

(x) 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.

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

The following amended standards and interpretations issued by the IASB were adopted in fiscal 2023:

Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use

On May 14, 2020, the IASB issued amendments to IAS 16, which prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

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. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

(z) Accounting standards issued but not yet applied

The following new or amended standards and interpretations issued by the IASB are effective after the Company's June 30, 2023 year-end date and have not yet been adopted by the Company:

Amendments to IAS 1 – Presentation of financial statements (IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 in respect of the classification of liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments become effective for annual reporting periods beginning on or after January 1, 2024.

Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8)

On 12 February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 12 – Income taxes – comprehensive balance sheet method

On May 7, 2021, the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023.

We are assessing the impacts, if any, the remaining standards or amendments will have on our consolidated financial statements.

3. USE OF JUDGMENTS 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 judgments

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. 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 these 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 Vecima 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 Vecima 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.

Sales by Vecima Technology B.V. (a subsidiary of the Company) are primarily transacted in Euro. The cost of materials is denominated in Euro. The labour costs is denominated fully in Euro. While equity transactions are denominated in Canadian dollars, intercompany financing activities and receipts from operations are denominated in Euro. Based on all these factors, the Company determined that the functional currency for Vecima Technology B.V. is Euro.

Sales by Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd., (subsidiaries of the Company) are transacted in Renminbi (“RMB”). The cost of materials and labour costs are denominated in RMB. Equity and debt financing activities are both denominated in RMB and receipts from operations are retained in RMB. Based on all of these factors, the Company determined that the functional currency for Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd. is RMB.

<u>Revenue from contracts with customers and deferred revenue</u>

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 a 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(m). 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

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.

(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 the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility, forfeiture rate and risk-free rate. The assumptions and models used for estimating fair value for share-based compensation are disclosed in Note 19(d).

Income taxes

The amounts of deferred tax assets and liabilities are estimated with consideration given to the timing, source and amounts of future taxable income together with tax planning strategies.

(in thousands of Canadian dollars except as otherwise noted)

Leases

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.

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; and
- provisions, contingent liabilities and the fair value of financial assets.

4. CASH AND CASH EQUIVALENTS

As at June 30,		**2023**		2022
Cash	$	2,278	$	5,258
Short-term deposits		-		7,644
Total cash and cash equivalents	**$**	**2,278**	**$**	**12,902**

5. ACCOUNTS RECEIVABLE

As at June 30,		**2023**		2022
Trade receivables	$	56,039	$	48,049
Less: allowance for doubtful accounts		(10)		(4)
Total trade receivables		**56,029**		**48,045**
Goods and services tax		298		654
Foreign exchange contracts		581		-
Government grants receivable		647		793
Other receivables		107		163
Total accounts receivable	**$**	**57,662**	**$**	**49,655**

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, 2023 includes a research and development tax credit from the State of Georgia in the amount of $647 (June 30, 2022 - $774), and an employee training job grant in the amount of $nil (June 30, 2022 - $19). Refer to Note 12 - *Government Grants* for further details.

(in thousands of Canadian dollars except as otherwise noted)

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:

Balance, July 1, 2021	$	16
Write-offs		(12)
Balance, June 30, 2022		**4**
Write-offs		(1)
Addition to allowance		7
Balance, June 30, 2023	**$**	**10**

6. INVENTORIES

As at June 30,		**2023**		2022
Raw materials	$	41,235	$	22,145
Work-in-progress		5,086		2,402
Finished goods		55,280		25,061
Total inventory	**$**	**101,601**	**$**	**49,608**

During the year ended June 30, 2023, inventories of $125,127 (June 30, 2022 - $72,320) were expensed through cost of sales. Write-downs of inventory that were included in the cost of sales for the year ended June 30, 2023 were $510 (June 30, 2022 - $385). Write-downs of inventory that were included in sales and marketing for the year ended June 30, 2023 were $987 (June 30, 2022 - $48). Reversals of write-downs were $116 during the year ended June 30, 2023 (June 30, 2022 - $187). For the year ended June 30, 2023, the carrying amount of inventory recorded at net realizable value was $1,737 (June 30, 2022 - $741) with the remaining inventory recorded at cost.

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at June 30,		**2023**		2022
Payments for contract manufacturer inventory purchases and expedite fees	$	9,057	$	3,768
Software licenses		1,574		1,441
Other		3,064		2,093
Total prepaid expenses and other current assets	**$**	**13,695**	**$**	**7,302**

(in thousands of Canadian dollars except as otherwise noted)

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & building	Lab, operating & production equipment	Other equipment[(1)]	Total
At cost					
At July 1, 2021	$ 321	$ 9,118	$ 22,867	$ 12,576	$ 44,882
Additions	-	1,402	3,255	1,033	5,690
Disposals	-	(440)	(1,035)	(126)	(1,601)
Effect of foreign exchange	-	12	172	(3)	181
At June 30, 2022	**321**	**10,092**	**25,259**	**13,480**	**49,152**
Additions	-	148	2,013	738	2,899
Disposals	-	-	(860)	(25)	(885)
Effect of foreign exchange	-	17	54	(31)	40
At June 30, 2023	**$ 321**	**$ 10,257**	**$ 26,466**	**$ 14,162**	**$ 51,206**
Accumulated depreciation and amortization					
At July 1, 2021	$ -	$ 3,575	$ 16,456	$ 10,997	$ 31,028
Depreciation	-	323	1,861	643	2,827
Disposals	-	(440)	(647)	(115)	(1,202)
Effect of foreign exchange	-	5	11	-	16
At June 30, 2022	**-**	**3,463**	**17,681**	**11,525**	**32,669**
Additions	-	360	2,276	780	3,416
Disposals	-	-	(518)	(24)	(542)
Effect of foreign exchange	-	9	(6)	(23)	(20)
At June 30, 2023	**$ -**	**$ 3,832**	**$ 19,433**	**$ 12,258**	**$ 35,523**
Net book value					
At June 30, 2022	$ 321	$ 6,629	$ 7,578	$ 1,955	$ 16,483
At June 30, 2023	**$ 321**	**$ 6,425**	**$ 7,033**	**$ 1,904**	**$ 15,683**

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

Additions for the year ended June 30, 2023 were $2,899 (June 30, 2022 - $5,690), all of which were acquired for cash consideration.

The following estimated useful lives have been applied to property, plant and equipment assets at June 30, 2023 and June 30, 2022:

	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,	**2023**	2022
Cost of sales	$ 189	$ 158
Research and development	429	339
Sales and marketing	316	224
General and administrative	2,482	2,106
Depreciation for the year	**$ 3,416**	**$ 2,827**

(in thousands of Canadian dollars except as otherwise noted)

9. RIGHT-OF-USE ASSETS

For the years ended June 30, 2023 and 2022, 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:

At cost		
At July 1, 2021	$	6,494
Additions		460
Dispositions, retirements, other		(418)
Effect of foreign exchange		(59)
At June 30, 2022		**6,477**
Additions		1,083
Effect of foreign exchange		(11)
At June 30, 2023	**$**	**7,549**
Accumulated depreciation		
At July 1, 2021	$	2,834
Additions		1,264
Dispositions, retirements, other		(213)
Effect of foreign exchange		(34)
At June 30, 2022		**3,851**
Additions		1,355
Effect of foreign exchange		(21)
At June 30, 2023	**$**	**5,185**
Net book value		
At June 30, 2022	$	2,626
At June 30, 2023	**$**	**2,364**

10. GOODWILL

At July 1, 2021	$	14,542
Effect of foreign exchange		271
At June 30, 2022		14,813
Effect of foreign exchange		236
At June 30, 2023	**$**	**15,049**

For the year ended June 30, 2023, goodwill includes $3,367 attributable to brand (June 30, 2022 - $3,275).

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 (CGUs), 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, $8,815 relating to the Content Delivery and Storage segment, and $123 relating to the Video and Broadband Solutions segment (June 30, 2022 - $6,111, $8,582, and $120, respectively). The recoverable amount of the segment and the associated CGUs 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.

(in thousands of Canadian dollars except as otherwise noted)

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.

11. INTANGIBLE ASSETS

	Indefinite-life intangible assets	Finite-life intangible assets				
	Spectrum and other licenses	**Customer contracts**	**Patents**	**Intellectual property**	**Deferred development costs**	**Total**
At cost						
At July 1, 2021	$ 103	$ 19,663	$ 748	$ 10,636	$ 70,749	$ 101,889
Additions	-	-	182	-	17,405	17,587
Investment tax credits	-	-	-	-	(236)	(236)
Writedown, fully amortized	-	-	-	-	(10,437)	(10,437)
Impairment loss	-	-	-	-	(712)	(712)
Effect of foreign exchange	1	516	15	274	670	1,476
At June 30, 2022	**104**	**20,179**	**945**	**10,910**	**77,439**	**109,577**
Additions	-	-	113	-	23,342	23,455
Investment tax credits	-	-	-	-	(1,658)	(1,658)
Writedown, fully amortized	-	-	-	-	(1,902)	(1,902)
Effect of foreign exchange	2	407	12	196	300	917
At June 30, 2023	**$ 106**	**$ 20,586**	**$ 1,070**	**$ 11,106**	**$ 97,521**	**$ 130,389**
Accumulated amortization						
At July 1, 2021	$ -	$ 8,464	$ 434	$ 5,301	$ 15,476	$ 29,675
Amortization	-	1,884	97	1,134	10,643	13,758
Writedown, fully amortized	-	-	-	-	(10,437)	(10,437)
Effect of foreign exchange	-	230	5	147	282	664
At June 30, 2022	**-**	**10,578**	**536**	**6,582**	**15,964**	**33,660**
Amortization	-	1,960	119	1,186	11,981	15,246
Writedown, fully amortized	-	-	-	-	(1,902)	(1,902)
Effect of foreign exchange	-	183	5	109	97	394
At June 30, 2023	**$ -**	**$ 12,721**	**$ 660**	**$ 7,877**	**$ 26,140**	**$ 47,398**
Net book value						
At June 30, 2022	$ 104	$ 9,601	$ 409	$ 4,328	$ 61,475	$ 75,917
At June 30, 2023	**$ 106**	**$ 7,865**	**$ 410**	**$ 3,229**	**$ 71,381**	**$ 82,991**

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, 2023 was $57,428 (June 30, 2022 - $43,461).

(in thousands of Canadian dollars except as otherwise noted)

During the year ended June 30, 2023, the Company recorded $nil in impairment losses pertaining to development costs (June 30, 2022 - $712). The impairment loss was reflected in other expense – see Note 21.

12. GOVERNMENT GRANTS

	Job Grants	Research and development tax credit(1)	Employee retention credit(2)	Total
At July 1, 2021	$ -	$ 715	$ 1,234	$ 1,949
New grants claimed	19	708	2	729
Grants received	-	(660)	(1,262)	(1,922)
Effect of foreign exchange	-	11	26	37
At June 30, 2022	**19**	**774**	**-**	**793**
New grants claimed	-	676	-	676
Grants received	(19)	(832)	-	(851)
Effect of foreign exchange	-	29	-	29
At June 30, 2023	**$ -**	**$ 647**	**$ -**	**$ 647**

(1) Research and development tax credit program is by the State of Georgia.
(2) Employee retention credit program is a U.S. federal program under the CARES Act.

In the third quarter of 2022, the Company applied for a research and development tax credit with the State of Georgia in the amount of $708, which related to the 2021 fiscal period. The application for the tax credit was submitted in February 2022 with the Company's 2021 state corporate tax return. In March 2022, 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 2022 as a government grant receivable in the amount of $708, with a corresponding offset to accrued liabilities.

In the fourth quarter of 2023, the Company applied for a research and development tax credit with the State of Georgia in the amount of $676, which related to the 2022 fiscal period. The application for the tax credit was submitted in April 2023 with the Company's 2022 state corporate tax return. 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 fourth quarter of 2023 as a government grant receivable in the amount of $676, with a corresponding offset to accrued liabilities.

As at June 30, 2023, the government grant receivable was $647 (June 30, 2022 - $793). During the year ended June 30, 2023, the payroll tax withholding liability and the government grant receivable were reduced by $851 (June 30, 2022 - $1,922), and the accrued liabilities and operating expenses were reduced by $851 (June 30, 2022 - $1,922). 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.

13. INVESTMENT TAX CREDITS

During the year ended June 30, 2023, the Company recorded investment tax credits of $1,775 (June 30, 2022 - $384), with a $1,658 (June 30, 2022 - $236) reduction to deferred development costs and $117 (June 30, 2022 - $148) reduction to research and development expenses.

(in thousands of Canadian dollars except as otherwise noted)

14. 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 deferred tax assets and liabilities are as follows:

Years ended June 30,		**2023**		2022
Provision for warranties	$	217	$	75
Lease liabilities		613		873
Non-capital losses		824		2,328
Property, plant and equipment		1,541		845
Right-of-use assets		(489)		(649)
Research and development expenditures		17,806		14,996
Accrued expenses		538		412
Unrealized foreign exchange gains		(420)		(298)
Accrued retirement		134		127
Intangible assets		(12,199)		(12,945)
Inventory Reserve		1,384		702
Other		1,627		321
Net total deferred tax asset	**$**	**11,576**	**$**	**6,787**
Deferred tax asset	$	11,576	$	6,793
Deferred tax liability	$	-	$	(6)

The Company has recognized deferred tax assets in the amount of $11,576 (June 30, 2022 - $6,787), 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,		**2023**		2022
Income tax expense	$	11,178	$	1,883
Deferred income tax (recovery) expense		(4,789)		475
Total income tax expense	**$**	**6,389**	**$**	**2,358**

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,		**2023**		2022
Income before income taxes	$	33,601	$	11,047
Substantively enacted tax rates		25.7%		25.7%
Tax computed at Canadian statutory income tax rates		**8,635**		**2,839**
Differences in substantively enacted future tax rates		(106)		64
Foreign tax rate differential		(1,048)		190
Expenses not deductible for tax purposes[(1)]		448		213
Federal and state tax credits		(1,873)		(1,293)
Other[(2)]		333		345
Total income tax expense	**$**	**6,389**	**$**	**2,358**
Effective income tax rate		19.0%		21.3%

[(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.*

(in thousands of Canadian dollars except as otherwise noted)

In the United States, for tax years beginning on or after January 1, 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures, including software development, as defined under IRC Section 174, in the year incurred. Instead, taxpayers are required to amortize such expenditures over five years if incurred in the U.S. and over fifteen years if incurred in a foreign jurisdiction. This new requirement is expected to result in significantly higher taxable income in the current year. The capitalization of these costs is reflected in the research and development expenditures line item in our deferred tax inventory summary above.

15. REVOLVING LINE OF CREDIT

The Company maintains an authorized line of credit of $55,000 (June 30, 2022 - $25,000) of which $20,513 was drawn on as of June 30, 2023 (June 30, 2022 - $nil). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable and 40% of certain inventory (to a maximum of $27,500). Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at June 30, 2023 was 6.95% (June 30, 2022 - 3.70%). As at June 30, 2023, the Company had an outstanding letter of credit of $15,907 with a supplier, which reduced the available line of credit to $18,580 which was returned subsequent to year-end.

The line of credit is subject to customary borrowing covenants, such as minimum current ratio, senior debt to EBITDA ratio, and debt service coverage ratio. As at June 30, 2023, the Company was in compliance with all covenants related to the line of credit.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at June 30,		**2023**		2022
Accounts payable	$	19,260	$	21,398
Accrued liabilities		27,902		26,774
Total accounts payable and accrued liabilities	**$**	**47,162**	**$**	**48,172**

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.

17. PROVISIONS

		Warranty		**Restructuring costs**		**Onerous contracts**		**Other**		**Total**
At July 1, 2021	$	359	$	-	$	952	$	525	$	1,836
Additions		459		-		-		194		653
Amounts utilized		(338)		-		(933)		(128)		(1,399)
Effect of foreign exchange		9		-		7		(81)		(65)
At June 30, 2022		**489**		**-**		**26**		**510**		**1,025**
Additions		467		1,236		-		234		1,937
Amounts utilized		(336)		(61)		(26)		(160)		(583)
Effect of foreign exchange		5		-		-		(19)		(14)
At June 30, 2023	**$**	**625**	**$**	**1,175**	**$**	**-**	**$**	**565**	**$**	**2,365**
Current portion	$	625	$	1,175	$	-	$	178	$	1,978
Long-term portion	$	-	$	-	$	-	$	387	$	387

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

(in thousands of Canadian dollars except as otherwise noted)

In June 2023, the Company incurred incremental, non-recurring restructuring costs in the amount of $1,236 as a result of a reduction in force of approximately 9% of existing employees. This amount represents severance costs related to the reorganization of primarily the research and development and operational departments to better align operations with the Company's next fiscal year expectations.

18. LONG-TERM DEBT

As at June 30,		**2023**		2022
Term credit facility	$	1,071	$	1,405
Term loan facility		12,200		12,200
Insurance financing		364		-
Lease liabilities		2,748		3,292
Total term facilities and lease liabilities	**$**	**16,383**	**$**	**16,897**
Current portion	$	2,260	$	1,782
Long-term portion	$	14,123	$	15,115

Term credit facility

The term credit facility is with a Canadian chartered bank. As at June 30, 2023, the facility is repayable in monthly installments of $21 principal and interest at Prime of 6.95% (June 30, 2022 - $21, and 3.70%, respectively), expires in October 2024 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.

Term loan facility

The Company obtained a term loan facility with a Canadian chartered bank in the third quarter of fiscal 2022. The term facility requires accrued interest payments only and has no set principal repayments. It carries an interest rate at Prime of 6.95%, expires in October 2024 and is collateralized by a general security agreement. The Company has an authorized loan amount of $12,200 and annually renews this facility with the bank.

Insurance financing loan

The Company obtained a short-term loan with its insurance provider to finance its insurance requirements. The financing carries an interest rate of 3.6% and is repayable in 11 monthly installments of $63.

The term credit, loan facilities and insurance financing are recorded at amortized cost. The Company's term credit and loan facilities are at an interest rate that floats based on Prime and the carrying value of the principal is considered to be fair value. The insurance financing loan is short-term in nature and approximates 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, loan facilities and insurance financing loan as at June 30, 2023:

2024	$	781
2025		250
2026		250
2027		250
2028		250
Thereafter		11,854
Total future repayments	**$**	**13,635**

(in thousands of Canadian dollars except as otherwise noted)

Lease liabilities

The following is a reconciliation of the Company's lease liabilities as at June 30, 2023:

Years ended June 30,		**2023**		2022
Lease liabilities, beginning of year	$	3,292	$	4,266
Net additions during the year		1,083		461
Interest on lease liabilities		156		145
Principal repayments of lease liabilities		(1,805)		(1,584)
Effect of foreign exchange		22		4
Lease liabilities, end of year	**$**	**2,748**	**$**	**3,292**
Current portion	$	1,479	$	1,313
Long-term portion	$	1,269	$	1,979

The contractual lease payments related to the lease liabilities are as follows:

As at June 30,		**2023**
Within one year	$	1,577
After one year but not more than five years		1,092
More than five years		272
Total contractual lease payments	**$**	**2,941**

19. 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, June 30, 2021	22,921,367	$	7,299
Shares issued by exercising options	55,626		733
Performance Share Units settled in common shares	187,487		976
Shares withheld for taxes to settle performance units	(63,478)		(1,073)
Balance, June 30, 2022	**23,101,002**		**7,935**
Common shares issued	957,880		15,926
Shares issued by exercising options	41,375		502
Performance Share Units settled in common shares	333,398		2,426
Shares withheld for taxes to settle performance units	(132,061)		(2,792)
Balance, June 30, 2023	**24,301,594**	**$**	**23,997**

The Company issued 41,375 common shares through the exercise of options during the year ended June 30, 2023 (June 30, 2022 - 55,626) for cash consideration of $396 (June 30, 2022 - $562).

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).

(in thousands of Canadian dollars except as otherwise noted)

On January 12, 2022, Vecima announced that it filed a final short form base shelf prospectus with the securities commissions or similar regulatory authorities in each of the provinces of Canada, except for Quebec. The base shelf prospectus will allow Vecima to offer up to $150,000 of common shares, warrants, subscription receipts, units, debt securities and share purchase contracts from time to time over the 25-month period after the applicable Canadian securities regulatory authorities have issued a receipt for the final short form base shelf prospectus.

On December 14, 2022, the Company closed two common share offerings for the sale of 957,880 common shares at a price of $17.75 per share with total aggregate gross proceeds of $17,002. Share issuance costs in connection with this share offering amounted to $1,076. The Company used the net proceeds of the offerings for the repayment of a portion of the revolving line of credit which supports its working capital requirements.

(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, 2023 and 2022 are as follows:

	Number of options		**Weighted average exercise price per option**
Outstanding, July 1, 2021	125,875	$	9.93
Granted	5,000		16.00
Cancelled	(3,562)		(11.46)
Exercised	(55,626)		(10.08)
Outstanding, June 30, 2022	**71,687**		**10.15**
Granted	13,000		18.94
Cancelled	(6,000)		(13.10)
Exercised	(41,375)		(9.57)
Outstanding, June 30, 2023	**37,312**	**$**	**13.39**
Vested and exercisable	21,627	$	10.14

For the year ended June 30, 2023, the weighted average trading price for the options exercised was $20.78 per share (June 30, 2022 - $15.68 per share).

At June 30, 2023, the exercise prices ranged from $8.25 to $22.11 per share (June 30, 2022 - $8.25 to $16.00), with the weighted average exercise price being $13.39 per share (June 30, 2022 - $10.15). The options outstanding at June 30, 2023 have a weighted average contractual life of 3.06 years (June 30, 2022 - 2.27 years).

(in thousands of Canadian dollars except as otherwise noted)

	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 $9.40	7,000	2.10	$	8.37	6,626	$	8.38
$9.41 to $10.60	10,312	0.54		9.50	10,312		9.50
$10.61 to $22.11	20,000	4.70		17.15	4,689		14.05
	37,312	**3.06**	**$**	**13.39**	**21,627**	**$**	**10.14**

(d) Share-based compensation

The following table summarizes the share-based compensation expense included in the consolidated statements of comprehensive income:

Years ended June 30,		**2023**		2022
Stock options	$	15	$	21
Performance share units		2,487		860
Total share-based compensation	**$**	**2,502**	**$**	**881**

Stock options

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 option-pricing model. The estimated fair value of the stock options is amortized to share-based compensation over the vesting period of the options.

The weighted average estimated fair value for the common share options granted in the year was $53 (June 30, 2022 - $14). Management used the following assumptions within the Black-Scholes option-pricing model:

Years ended June 30,		**2023**		2022
Weighted average share price	$	18.94	$	16.00
Expected option life		6.00 years		6.00 years
Risk-free rate of return		3.41%		1.12%
Volatility factor		23.47%		21.55%
Expected dividends		1.30%		1.36%
Forfeiture rate		4.54%		3.66%

Performance share units (“PSUs”)

The Company’s PSU plan sets the maximum number of PSUs that can be issued at 4% of the outstanding common shares of the Company. At the time of the PSU plan’s approval by the shareholders of the Company on July 28, 2020, the maximum number of shares issuable under the PSU plan was set at 897,275. No further approval by the shareholders of the Company is required for any unallocated PSUs.

During the year ended June 30, 2023, the Company issued 373,600 PSUs (June 30, 2022 - 10,000 PSUs) to eligible persons under the PSU plan. These PSUs have five-year terms, and vest in three tranches upon the achievement of certain closing market trading prices of the Company’s common shares for a period of twenty consecutive business days. During the year, 333,398 PSUs vested in 4 tranches (June 30, 2022 - 187,487 PSUs vested in one tranche) and were settled via the issuance of common shares. The Company withheld 132,061 common shares (June 30, 2022 - 63,478 common shares) at an aggregate value of $2,792 (June 30, 2022 - $1,073) to settle withholding tax obligations on the issuance of the common share awards. This was accounted for as a reduction to equity.

(in thousands of Canadian dollars except as otherwise noted)

A summary of PSU activity during the year ended June 30, 2023 is as follows:

	Number of PSUs
Outstanding as at July 1, 2021	390,015
Granted	10,000
Forfeited	(2,245)
Settled	(187,487)
Outstanding as at June 30, 2022	**210,283**
Granted	373,600
Forfeited	(8,250)
Settled	(333,398)
Outstanding as at June 30, 2023	**242,235**

The fair value of the PSUs were determined using a Monte Carlo simulation. On grant, the Company estimated the achievement dates of each performance condition, and the cost of the PSUs is expensed on a straight-line basis over the period from the grant date to the expected market condition achievement date. The Company estimated forfeitures of PSUs at 10% on grant, and adjusts the amount recognized in expense upon vesting.

20. 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 24 for additional segmented financial information.

For the year ended June 30, 2023	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Product sales	$ 230,027	$ 30,102	$ 881	**$ 261,010**
Provision of services	15,056	22,181	5,190	**42,427**
Total revenue	**$ 245,083**	**$ 52,283**	**$ 6,071**	**$ 303,437**

For the year ended June 30, 2022	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Product sales	$ 127,502	$ 26,259	$ 631	**$ 154,392**
Provision of services	10,389	17,205	4,828	**32,422**
Total revenue	**$ 137,891**	**$ 43,464**	**$ 5,459**	**$ 186,814**

(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.

(in thousands of Canadian dollars except as otherwise noted)

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,		**2023**		2022
Balance, beginning of year	$	2,010	$	1,105
Net additions arising from operations		2,877		1,724
Amounts billed during the year and reclassified as accounts receivable		(835)		(423)
Deferred costs recognized as expense in the year		(481)		(373)
Effect of change in foreign currency exchange rates		(242)		(23)
Balance, end of year	**$**	**3,329**	**$**	**2,010**
To be billed and reclassified to accounts receivable during next 12 months	$	2,145	$	853
Deferred costs to be recognized as expense during next 12 months		562		482
Current portion, contract assets		**2,707**		**1,335**
Thereafter (included in other long-term assets)	$	622	$	675

(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 not to 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 the performance obligations are expected to be satisfied, and revenue recognized are set out in the following table:

Years ended June 30,		**2023**		2022
Balance, beginning of year	$	16,594	$	9,535
Revenue deferred in previous period and recognized in current period		(12,510)		(7,267)
Net additions arising from operations		15,473		14,086
Effect of change in foreign currency exchange rates		245		240
Balance, end of year	**$**	**19,802**	**$**	**16,594**
Revenue to be recognized in the future				
Within one year	$	15,086	$	12,129
Between two to five years	$	4,716	$	4,465

(in thousands of Canadian dollars except as otherwise noted)

21. OTHER EXPENSE

Years ended June 30,		**2023**		2022
Contract termination penalties	$	1,769	$	-
Loss on disposal of property, plant and equipment		71		208
Impairment of intangible assets		-		712
Other expense		31		81
Total other expense	**$**	**1,871**	**$**	**1,001**

22. FINANCE EXPENSE

Years ended June 30,	**Note**		**2023**		2022
Interest income		$	(20)	$	(27)
Operating line interest expense			1,404		72
Term credit facility interest expense			829		84
Other expense (income)			1		(2)
Finance expense before interest on lease liabilities			**2,214**		**127**
Interest expense on lease liabilities	18		156		145
Total finance expense		**$**	**2,370**	**$**	**272**

23. NET INCOME PER SHARE

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

Years ended June 30,		**2023**		2022
Net income	$	27,212	$	8,689
Weighed average number of shares outstanding:				
Basic		23,712,384		23,079,181
Dilution adjustment for stock options		24,100		35,208
Diluted		**23,736,484**		**23,114,389**
Net income per share: basic	$	1.15	$	0.38
Net income share: diluted	$	1.15	$	0.38

Stock options could potentially dilute basic net income per share in the future. Dilutive stock options are calculated using the treasury stock method. For the year ended June 30, 2023, 24,100 stock options of the total 37,312 stock options outstanding were dilutive and were included in the calculation of net income per share. For the year ended June 30, 2022, 35,208 stock options of the total 71,687 stock options outstanding were dilutive and were included in the calculation of net income per share.

(in thousands of Canadian dollars except as otherwise noted)

24. 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, 2023		**Video and Broadband Solutions**		**Content Delivery and Storage**		**Telematics**		**Total**
Sales	$	245,083	$	52,283	$	6,071	$	303,437
Cost of sales		134,961		24,544		1,961		161,466
Gross profit		**110,122**		**27,739**		**4,110**		**141,971**
Operating expenses		63,029		23,408		2,227		88,664
Depreciation and amortization		12,764		6,052		1,201		20,017
Operating income (loss)		**34,329**		**(1,721)**		**682**		**33,290**
Finance expense								(2,370)
Foreign exchange gain								2,681
Income tax expense								(6,389)
Net income	**$**		**$**		**$**		**$**	**27,212**
Total assets	$	276,171	$	42,744	$	12,771	**$**	**331,686**
Total liabilities	$	91,780	$	20,737	$	1,516	**$**	**114,033**

Year ended June 30, 2022		**Video and Broadband Solutions**		**Content Delivery and Storage**		**Telematics**		**Total**
Sales	$	137,891	$	43,464	$	5,459	$	186,814
Cost of sales		74,482		20,481		1,889		96,852
Gross profit		**63,409**		**22,983**		**3,570**		**89,962**
Operating expenses		39,660		20,912		2,104		62,676
Depreciation and amortization		10,724		6,150		975		17,849
Operating income (loss)		**13,025**		**(4,079)**		**491**		**9,437**
Finance expense								(272)
Foreign exchange gain								1,882
Income tax expense								(2,358)
Net income	**$**		**$**		**$**		**$**	**8,689**
Total assets	$	222,150	$	34,226	$	6,232	**$**	**262,608**
Total liabilities	$	62,345	$	19,174	$	1,357	**$**	**82,876**

(in thousands of Canadian dollars except as otherwise noted)

Geographical region

Years ended June 30,		**2023**		2022
Sales to external customers:				
United States	$	259,916	$	148,437
Canada		18,581		20,453
Japan		13,362		10,553
Europe		6,172		2,999
Other		5,406		4,372
Total sales	**$**	**303,437**	**$**	**186,814**

Years ended June 30,		**2023**		2022
Non-current assets:				
United States	$	46,938	$	38,238
Canada		102,954		99,889
Japan		697		1,088
Europe		21		19
Mexico		1,154		1,141
China		1,449		738
Total non-current assets	**$**	**153,213**	**$**	**141,113**

Sales to major customers

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

Years ended June 30,		**2023**		2022
Customer A	$	151,566	$	41,315
Customer B		45,387		32,238
Total sales to major customers	**$**	**196,953**	**$**	**73,553**

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

25. RELATED PARTY TRANSACTIONS

Vecima is a publicly traded company on the Toronto Stock Exchange. Voting control of Vecima is held by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar (the “Principal Shareholders”) through either direct or indirect ownership of the Company's common shares. Additionally, Sumit Kumar is a Director, Senior Executive and Corporate Officer of the Company.

(in thousands of Canadian dollars except as otherwise noted)

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

Company Name	Jurisdiction	% equity interest Participating voting interest
Vecima Networks (USA) Inc.	United States	100
6105971 Canada Inc.	Canada	100
Vecima Technology Inc.	United States	100
Vecima Technology (Canada) Inc.	Canada	100
Vecima Solutions Corporation	Japan	100
Vecima Technology (UK) Ltd.	United Kingdom	100
Vecima Technology GmbH	Germany	100
Vecima Technology B.V.	Netherlands	100
Vecima Technology (Qingdao) Co., Ltd.	China	100
Vecima Technology (Shanghai) Co., Ltd.	China	100

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

Years ended June 30,		**2023**		2022
Salaries and short-term employee benefits	$	2,914	$	2,679
Post-employment pension		45		44
Share-based compensation - stock options and PSUs		1,726		320
Total compensation of key management personnel	**$**	**4,685**	**$**	**3,043**

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.

During the years ended June 30, 2023 and 2022, there were no stock options awarded to key management personnel. 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.

There were 329,600 PSUs awarded to key management personnel during the year ended June 30, 2023 (June 30, 2022 - nil). During the year ended June 30, 2023, 195,303 PSUs vested (June 30, 2022 - 80,766); which had a fair value of $1,647 (June 30, 2022 - $417). Each vested PSU is settled for one common share of the Company.

On August 1, 2022, the Company entered into a building lease with one of the principal shareholders. The lease terms are at fair market value. During the year ended June 30, 2023, total lease payments, including interest, were $130. There were no other related party transactions during the year.

26. 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.

(in thousands of Canadian dollars except as otherwise noted)

During the years ended June 30, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value. As at June 30, 2023, the Company held three forward foreign exchange contracts which are classified as Level 2 assets – see Note 5.

27. 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. 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, 2023, the weighted average age of customer accounts receivable was 34 days (June 30, 2022 - 34 days); and the weighted average age of past-due accounts receivable approximated 57 days (June 30, 2022 - 66 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:

As at June 30,		**2023**		2022
Current	$	44,835	$	43,555
31 to 60 days		9,363		1,822
61 to 90 days		714		1,174
Over 90 days		1,117		1,494
Total accounts receivable	**$**	**56,029**	**$**	**48,045**

We maintain allowances for lifetime expected credit losses related to the allowance for doubtful accounts. Current economic conditions, forward-looking information, historical information, and 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 as at June 30, 2023 of $10 (June 30, 2022 - $4). As at June 30, 2023, the Company had three major customers who accounted for approximately 59% (June 30, 2022 - 62%) of the year-end accounts receivable balance. Customer contract assets that are not considered to be impaired within the next 12 months and are $2,707 (June 30, 2022 - $1,335) and long-term are $622 (June 30, 2022 - $615).

(in thousands of Canadian dollars except as otherwise noted)

(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 which helps to mitigate this risk. The Company has access to a credit facility in the amount of $55,000 with a Canadian chartered bank. As of June 30, 2023, the remaining amount available to be drawn under this credit facility is $18,580.

The tables below presents a maturity analysis of the Company's financial liabilities as at June 30, 2023 and 2022:

June 30, 2023	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 to 3 years**	**Thereafter**
Accounts payable and accrued liabilities	**$ 47,162**	**$ 47,162**	$ 47,162	$ -	$ -
Long-term debt	**13,635**	**13,635**	781	500	12,354
Lease liabilities	**2,748**	**2,941**	1,577	910	454
Total financial liabilities	**$ 63,545**	**$ 63,738**	**$ 49,520**	**$ 1,410**	**$ 12,808**

(c) Currency risk

During the year ended June 30, 2023, approximately 97% (June 30, 2022 - 97%) of the Company's sales were 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 in foreign exchange gain (loss). As at June 30, 2023, the Company realized a net exchange gain of $581 (June 30, 2022 - $nil) in respect of these forward purchase contracts.

For the year ended June 30, 2023, 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 $1,524 (June 30, 2022 - $848) higher or lower; and net income after income taxes would have been $1,508 (June 30, 2022 - $644) 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. A 1% movement in the interest rate would have resulted in a $369 change to net income before income taxes and a $295 change to net income after income taxes for the year ended June 30, 2023 (June 30, 2022 - $152 and $113, respectively).

28. 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, 2023 was $231,288 (June 30, 2022 - $193,337). 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.

(in thousands of Canadian dollars except as otherwise noted)

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.

29. SUPPLEMENTAL INFORMATION

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

Depreciation and amortization – operating activities

Years ended June 30,		**2023**		2022
Depreciation of property, plant and equipment	$	3,416	$	2,827
Depreciation of right-of-use assets		1,355		1,264
Amortization of deferred development costs		11,981		10,643
Amortization of finite-life intangible assets		3,265		3,115
Total depreciation and amortization – operating activities	**$**	**20,017**	**$**	**17,849**

Net change in working capital – operating activities

Years ended June 30,		**2023**		2022
Accounts receivable	$	(8,731)	$	(21,390)
Inventories		(51,301)		(33,411)
Prepaid expenses		(5,942)		(2,799)
Income tax receivable		(106)		(46)
Contract assets		(1,820)		(616)
Accounts payable and accrued liabilities		(1,108)		25,635
Deferred revenue		2,944		6,879
Total change in net working capital	**$**	**(66,064)**	**$**	**(25,748)**

Capital expenditures, net – investing activities

Years ended June 30,		**2023**		2022
Capital expenditures before proceeds of disposition:				
Property, plant and equipment	$	(2,899)	$	(5,690)
Intangible assets		(113)		(182)
Proceeds of disposition:				
Property, plant and equipment		-		4
Total capital expenditures, net	**$**	**(3,012)**	**$**	**(5,868)**

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

Years ended June 30,		**2023**		2022
Wages and salaries	$	94,359	$	59,538
Employee deferred profit sharing plan		1,738		1,597
Health care benefits		6,001		3,540
Total employee benefits expense	**$**	**102,098**	**$**	**64,675**

30. CONTRACTUAL OBLIGATION

In conjunction with the Nokia portfolio acquisition in fiscal 2021, the Company acquired a contract with a third-party supplier. As at June 30, 2023, the contractual obligation, based on forecasted commitments, is estimated to be $6,860 (June 30, 2022 - $49,355); of which $nil (June 30, 2022 - $26) is deemed to be onerous. The contract was cancelled in the fourth quarter of fiscal 2023 with the impact reflected in Note 21. Commitments at June 30, 2023 reflect what is remaining after settlement.

31. CONTINGENT LIABILITY

In March 2017, the Company received a re-assessment from the Canada Revenue Agency ("CRA") regarding the eligibility of certain 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 regard 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 $1,300 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. The notice of appeal resulted in a settlement of 65% of the original claim with the impact reflected in the fourth quarter of 2023.

32. SUBSEQUENT EVENTS

On September 11, 2023, the Company announced a warrant agreement with one of its key customers whereby 361,050 warrants at an exercise price of $17.09 per unit were issued and will vest based on multi-year spending targets being met by the customer.

On September 19, 2023, the Board of Directors declared a dividend of $0.055 per common share, payable on November 6, 2023 to shareholders of record as at October 13, 2023 consistent with its previously announced dividend policy.