



Interim Condensed Consolidated Financial Statements of

VECIMA NETWORKS INC.

For the three months ended September 30, 2022 and 2021

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of Vecima Networks Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim condensed consolidated financial statements by an entity’s auditor.

VECIMA NETWORKS INC.**Interim Condensed Consolidated Statements of Financial Position***(unaudited - in thousands of Canadian dollars)*

As at	Note	September 30, 2022	June 30, 2022
Assets			
Current assets			
Cash and cash equivalents		\$ 4,344	\$ 12,902
Accounts receivable	3	64,179	49,655
Income tax receivable		426	693
Inventories	4	66,635	49,608
Prepaid expenses and other current assets	5	14,366	7,302
Contract assets		1,161	1,335
Total current assets		151,111	121,495
Non-current assets			
Property, plant and equipment	6	16,861	16,483
Right-of-use assets		3,027	2,626
Goodwill		15,363	14,813
Intangible assets	7	79,164	75,917
Other long-term assets		1,332	1,440
Investment tax credits		21,374	23,041
Deferred tax assets		6,321	6,793
Total assets		\$ 294,553	\$ 262,608
Liabilities and shareholders' equity			
Current liabilities			
Bank overdraft		\$ 6,832	\$ -
Accounts payable and accrued liabilities		62,400	48,172
Provisions		709	659
Income tax payable		-	182
Deferred revenue		10,991	12,129
Current portion of long-term debt	8	2,152	1,782
Dividend payable		1,271	-
Total current liabilities		84,355	62,924
Non-current liabilities			
Provisions		377	366
Deferred revenue		4,278	4,465
Deferred tax liability		6	6
Long-term debt	8	15,092	15,115
Total liabilities		104,108	82,876
Shareholders' equity			
Share capital	9	8,001	7,935
Reserves		3,178	3,141
Retained earnings		177,164	168,923
Accumulated other comprehensive income (loss)		2,102	(267)
Total shareholders' equity		190,445	179,732
Total liabilities and shareholders' equity		\$ 294,553	\$ 262,608

Contractual obligation – Note 18; Subsequent events – Note 20

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

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

	Note	Three months ended September 30,	
		2022	2021
Sales	10,14	\$ 73,447	\$ 32,395
Cost of sales		39,706	16,693
Gross profit		33,741	15,702
Operating expenses			
Research and development		10,705	8,008
Sales and marketing		6,304	4,101
General and administrative		5,594	4,686
Share-based compensation	11	98	688
Other expense	12	21	6
Total operating expenses		22,722	17,489
Operating income (loss)		11,019	(1,787)
Finance expense		(201)	(42)
Foreign exchange gain		1,302	1,107
Income (loss) before income taxes		12,120	(722)
Income tax expense (recovery)		2,608	(1,464)
Net income		\$ 9,512	\$ 742
Other comprehensive income			
Item that may be subsequently reclassified to net income			
Exchange differences on translating foreign operations		\$ 2,369	\$ 916
Comprehensive income		\$ 11,881	\$ 1,658
Net income per share			
Basic	13	\$ 0.41	\$ 0.03
Diluted	13	\$ 0.41	\$ 0.03
Weighted average number of common shares			
Shares outstanding – basic	13	23,104,507	23,054,011
Shares outstanding – diluted	13	23,132,401	23,095,102

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

VECIMA NETWORKS INC.**Interim Condensed Consolidated Statements of Changes in Equity***(unaudited - 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		-	-	742	-	742
Other comprehensive income		-	-	-	916	916
Dividends		-	-	(1,269)	-	(1,269)
Shares issued by exercising options		439	(110)	-	-	329
PSUs settled in common shares		976	(976)	-	-	-
Withholding taxes on PSUs		(1,073)	-	-	-	(1,073)
Share-based payment expense	11	-	688	-	-	688
Balance as at September 30, 2021		\$ 7,641	\$ 3,009	\$ 164,785	\$ (182)	\$ 175,253
Balance as at June 30, 2022		\$ 7,935	\$ 3,141	\$ 168,923	\$ (267)	\$ 179,732
Net income		-	-	9,512	-	9,512
Other comprehensive income		-	-	-	2,369	2,369
Dividends		-	-	(1,271)	-	(1,271)
Shares issued by exercising options	9	61	(12)	-	-	49
PSUs settled in common shares	9	49	(49)	-	-	-
Withholding taxes on PSUs	9	(44)	-	-	-	(44)
Share-based payment expense	11	-	98	-	-	98
Balance as at September 30, 2022		\$ 8,001	\$ 3,178	\$ 177,164	\$ 2,102	\$ 190,445

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

VECIMA NETWORKS INC.
Interim Condensed Consolidated Statements of Cash Flows
(unaudited - in thousands of Canadian dollars)

		Three months ended September 30,	
	Note	2022	2021
OPERATING ACTIVITIES			
Net income		\$ 9,512	\$ 742
Adjustments for non-cash items:			
Loss on sale of property, plant and equipment		9	5
Depreciation and amortization	17	4,750	4,318
Share-based compensation	11	98	688
Income tax expense		1,948	494
Deferred income tax expense (recovery)		660	(1,958)
Interest expense		212	50
Interest income		(10)	(8)
Net change in working capital	17	(24,366)	(8,625)
Increase in other long-term assets		142	40
Decrease in provisions		16	23
Increase in investment tax credits		(40)	(27)
Income tax received (paid)		30	(275)
Interest received		10	8
Interest paid		(175)	(9)
Cash used in operating activities		(7,204)	(4,534)
INVESTING ACTIVITIES			
Capital expenditures, net	17	(887)	(920)
Deferred development costs	7	(5,581)	(4,074)
Cash used in investing activities		(6,468)	(4,994)
FINANCING ACTIVITIES			
Principal repayments of lease liabilities	8	(379)	(407)
Repayment of long-term debt	8	(67)	(42)
Issuance of shares through exercised options		49	329
Withholding taxes on PSUs		(44)	(1,073)
Cash used in financing activities		(441)	(1,193)
Net decrease in cash and cash equivalents		(14,113)	(10,721)
Effect of change in exchange rates on cash		(1,277)	(271)
Cash and cash equivalents, beginning of year		12,902	28,909
Cash and cash equivalents, end of year ⁽¹⁾		\$ (2,488)	\$ 17,917

⁽¹⁾ Cash and cash equivalents includes bank overdraft

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

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements**

Three months ended September 30, 2022 and 2021

(in thousands of Canadian dollars except as otherwise noted)

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VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements****Three months ended September 30, 2022 and 2021***(in thousands of Canadian dollars except as otherwise noted)*

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 interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") under International Accounting Standard 34 – Interim Financial Reporting (IAS 34). These interim condensed consolidated financial statements do not include all the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended June 30, 2022.

(b) Basis of presentation

These interim condensed consolidated financial statements have been prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2, Summary of Significant Accounting Policies in our consolidated financial statements for the year ended June 30, 2022, except as noted below.

The interim condensed consolidated financial statements of the Company were approved by the Board of Directors and authorized for issue on November 8, 2022.

(c) Estimation uncertainty

The COVID-19 pandemic continues to evolve, and it is difficult to predict what economic, supply chain, network development or other impacts it may have on our business going forward. We will continue to closely monitor the effects of the pandemic on our business in all regions that we serve and make adjustments to our business as necessary. Due to the uncertainty surrounding the duration and potential outcomes of the COVID-19 pandemic, and the unpredictable and continuously changing impacts and related government responses, there is more uncertainty associated with our assumptions, expectations, and estimates. The most significantly affected estimates relate to the Company's determination of impairment of non-financial assets, the assessment of the carrying values of allowances for doubtful accounts and inventory obsolescence, and provisions.

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

The following amended standards and interpretations issued by the IASB were adopted in the first quarter of 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.

(e) 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 September 30, 2022 quarter-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, 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 above standards or amendments, which are not yet effective, will have on our condensed consolidated interim financial statements.

VECIMA NETWORKS INC.
Notes to the Consolidated Financial Statements
Years ended June 30, 2022 and 2021
(in thousands of Canadian dollars except as otherwise noted)

3. ACCOUNTS RECEIVABLE

	September 30,		June 30,	
	2022		2022	
Trade receivables	\$	62,063	\$	48,049
Less: allowance for doubtful accounts		(29)		(4)
Total trade receivables		62,034		48,045
Goods and services tax		1,271		654
Government grants receivable		644		793
Other receivables		230		163
Total accounts receivable	\$	64,179	\$	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.

4. INVENTORIES

	September 30,		June 30,	
	2022		2022	
Raw materials	\$	32,276	\$	22,145
Work-in-progress		3,813		2,402
Finished goods		30,546		25,061
Total inventory	\$	66,635	\$	49,608

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	September 30,		June 30,	
	2022		2022	
Payments for contract manufacturer inventory purchases and expedite fees	\$	10,623	\$	3,768
Software licenses		2,056		1,441
Other		1,686		2,093
Total prepaid expenses and other current assets	\$	14,365	\$	7,302

6. PROPERTY, PLANT AND EQUIPMENT

	Land		Land improvements & building		Lab, operating & production equipment		Other equipment		Total	
At cost										
At July 1, 2022	\$	321	\$	10,092	\$	25,259	\$	13,480	\$	49,152
Additions		-		23		725		127		875
Disposals		-		-		(36)		-		(36)
Effect of foreign exchange		-		49		436		98		583
At September 30, 2022	\$	321	\$	10,164	\$	26,384	\$	13,705	\$	50,574
Accumulated depreciation and amortization										
At July 1, 2022	\$	-	\$	3,463	\$	17,681	\$	11,525	\$	32,669
Depreciation		-		85		526		183		794
Disposals		-		-		(27)		-		(27)
Effect of foreign exchange		-		31		193		53		277
At September 30, 2022	\$	-	\$	3,579	\$	18,373	\$	11,761	\$	33,713
Net book value										
At June 30, 2022	\$	321	\$	6,629	\$	7,578	\$	1,955	\$	16,483
At September 30, 2022	\$	321	\$	6,585	\$	8,011	\$	1,944	\$	16,861

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements**

Three months ended September 30, 2022 and 2021

*(in thousands of Canadian dollars except as otherwise noted)***7. INTANGIBLE ASSETS**

	Indefinite-life intangible assets	Finite-life intangible assets				Total
	Spectrum and other licenses	Customer contracts	Patents	Intellectual property	Deferred development costs	
At cost						
At July 1, 2022	\$ 104	\$ 20,179	\$ 945	\$ 10,910	\$ 77,439	\$ 109,577
Additions	-	-	12	-	5,581	5,593
Investment tax credits	-	-	-	-	(133)	(133)
Effect of foreign exchange	3	958	26	452	1,167	2,606
At September 30, 2022	\$ 107	\$ 21,137	\$ 983	\$ 11,362	\$ 84,054	\$ 117,643
Accumulated amortization						
At July 1, 2022	\$ -	\$ 10,578	\$ 536	\$ 6,582	\$ 15,964	\$ 33,660
Amortization	-	480	34	290	2,819	3,623
Effect of foreign exchange	-	488	13	289	406	1,196
At September 30, 2022	\$ -	\$ 11,546	\$ 583	\$ 7,161	\$ 19,189	\$ 38,479
Net book value						
At June 30, 2022	\$ 104	\$ 9,601	\$ 409	\$ 4,328	\$ 61,475	\$ 75,917
At September 30, 2022	\$ 107	\$ 9,591	\$ 400	\$ 4,201	\$ 64,865	\$ 79,164

8. LONG-TERM DEBT

	September 30, 2022	June 30, 2022
Term credit facility	\$ 1,339	\$ 1,405
Term loan facility	12,200	12,200
Lease liabilities	3,705	3,292
	\$ 17,244	\$ 16,897
Comprised of:		
Current portion of term facilities and lease liabilities	\$ 2,152	\$ 1,782
Long-term portion of term facilities and lease liabilities	15,092	15,115
	\$ 17,244	\$ 16,897

Term credit facility

The term credit facility is with a Canadian chartered bank. As at September 30, 2022, the facility is repayable in monthly installments of \$21 principal and interest at Prime of 5.95% (June 30, 2022 - \$21, and 3.70%, respectively), expires in October 2023 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 5.95% (June 30, 2022 – 3.70%), expires in October 2023 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.

VECIMA NETWORKS INC.
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(in thousands of Canadian dollars except as otherwise noted)

The term credit and loan facilities 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.

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit and loan facilities as at September 30, 2022:

2023	\$	459
2024		250
2025		250
2026		250
2027		250
Thereafter		12,080
	\$	13,539

Lease liabilities

The following is a reconciliation of the Company's lease liabilities as at September 30, 2022:

At July 1, 2022	\$	3,292
Net additions during the period		697
Interest on lease liabilities		35
Principal repayments of lease liabilities		(379)
Effect of foreign exchange		60
At September 30, 2022		3,705
Less: current portion		1,693
Long-term portion	\$	2,012

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

	September 30, 2022	June 30, 2022
Within one year	\$ 1,789	\$ 1,515
After one year but not more than five years	1,865	1,594
More than five years	341	469
Total contractual lease payments	\$ 3,995	\$ 3,578

9. SHARE CAPITAL

Changes in the number of shares and carrying value of the Company's share capital for the three months ended September 30, 2022 are as follows:

	Note	Number of shares	Carrying value
Balance, July 1, 2022		23,101,002	\$ 7,935
Shares issued by exercising options	11	5,375	61
Performance Share Units settled in common shares	11	7,955	49
Shares withheld for taxes to settle performance share units	11	(2,404)	(44)
Balance, September 30, 2022		23,111,928	\$ 8,001

VECIMA NETWORKS INC.
Notes to the Consolidated Financial Statements
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(in thousands of Canadian dollars except as otherwise noted)

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue

In the following table, gross revenue from contracts with customers is disaggregated by reporting segment and type. Refer to Note 14 for additional segmented financial information.

For the three months ended September 30, 2022	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Product sales	\$ 57,425	\$ 6,375	\$ 162	63,962
Provision of services	3,580	4,622	1,283	9,485
Total sales	\$ 61,005	\$ 10,997	\$ 1,445	73,447

For the three months ended September 30, 2021	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Product sales	\$ 22,073	\$ 2,256	\$ 137	24,466
Provision of services	2,222	4,510	1,197	7,929
Total sales	\$ 24,295	\$ 6,766	\$ 1,334	32,395

11. SHARE-BASED COMPENSATION

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

	Three months ended September 30,	
	2022	2021
Stock options	\$ 87	\$ 9
Performance share units	11	679
Total share-based compensation	\$ 98	\$ 688

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.

Changes in the stock option plan for the three months ending September 30, 2022 are as follows:

(in number of units, except prices)	Number of options	Weighted average exercise price per option
Outstanding, July 1, 2022	71,687	\$ 10.15
Granted	8,000	16.96
Exercised	(5,375)	9.22
Outstanding, September 30, 2022	74,312	\$ 10.95
Vested and exercisable, September 30, 2022	57,314	\$ 9.78

VECIMA NETWORKS INC.
Notes to the Consolidated Financial Statements
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(in thousands of Canadian dollars except as otherwise noted)

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. No further approval by the shareholders of the Company is required for any unallocated PSUs.

During the three months ended September 30, 2022, the Company issued 295,100 PSUs (September 30, 2021 - nil 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 three months ended September 30, 2022, 7,955 PSUs vested (September 30, 2021 – 187,487); which had a fair value of \$49 (September 30, 2021 - \$976). Each vested PSU is settled for one common share of the Company. During the three months ended September 30, 2022, the Company withheld 2,404 common shares (September 30, 2021 - 63,478 common shares) at an aggregate market value of \$44 (September 30, 2021 - \$1,073) to settle withholding tax obligations on the issuance of the common share awards. This was accounted for as a reduction to equity. 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.

A summary of PSU activity during the three months ended September 30, 2022 is as follows:

	Number of PSUs
PSUs outstanding as at July 1, 2022	210,283
Granted	295,100
Settled	(7,955)
PSUs outstanding as at September 30, 2022	497,428

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.

12. OTHER EXPENSE

	Three months ended September 30,	
	2022	2021
Loss on sale of property, plant and equipment	\$ 9	\$ 5
Other	12	1
Total other expense	\$ 21	\$ 6

VECIMA NETWORKS INC.
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(in thousands of Canadian dollars except as otherwise noted)

13. NET INCOME PER SHARE

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

	Three months ended September 30,	
	2022	2021
Net income: basic and diluted (in thousands of dollars)	\$ 9,512	\$ 742
Weighted average number of shares outstanding:		
Basic	23,104,507	23,054,011
Dilution adjustment for stock options	27,894	41,091
Diluted	23,132,401	23,095,102
Net income per share: basic	\$ 0.41	\$ 0.03
Net income per share: diluted	\$ 0.41	\$ 0.03

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 three months ended September 30, 2022, 27,894 of the total 74,312 stock options outstanding were dilutive and included in the calculation of net income per share. For the three months ended September 30, 2021, 41,091 of the total 99,875 stock options outstanding were dilutive and included in the calculation of net income per share.

14. 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

	Three months ended September 30, 2022				Total
	Video and Broadband Solutions	Content Delivery and Storage	Telematics		
Sales	\$ 61,005	\$ 10,997	\$ 1,445	\$	73,447
Cost of sales	34,214	5,002	490		39,706
Gross profit	26,791	5,995	955		33,741
Operating expenses	12,385	5,087	552		18,024
Depreciation and amortization	2,931	1,496	271		4,698
Operating income (loss)	11,475	(588)	132		11,019
Finance expense					(201)
Foreign exchange gain					1,302
Income tax expense					(2,608)
Net income				\$	9,512
Total assets	\$ 230,773	\$ 50,460	\$ 13,320	\$	294,553
Total liabilities	\$ 84,029	\$ 18,717	\$ 1,362	\$	104,108

VECIMA NETWORKS INC.**Notes to the Consolidated Financial Statements**

Years ended June 30, 2022 and 2021

(in thousands of Canadian dollars except as otherwise noted)

	Three months ended September 30, 2021			
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	\$ 24,295	\$ 6,766	\$ 1,334	\$ 32,395
Cost of sales	12,839	3,367	487	16,693
Gross profit	11,456	3,399	847	15,702
Operating expenses	8,216	4,501	505	13,222
Depreciation and amortization	2,511	1,572	184	4,267
Operating income (loss)	729	(2,674)	158	(1,787)
Finance expense				(42)
Foreign exchange gain				1,107
Income tax recovery				1,464
Net income			\$	742
Total assets	\$ 157,926	\$ 48,825	\$ 12,935	\$ 219,686
Total liabilities	\$ 30,251	\$ 12,886	\$ 1,296	\$ 44,433

Geographical region

	Three months ended September 30,	
	2022	2021
Sales to external customers:		
United States	\$ 59,960	\$ 25,031
Canada	6,655	2,820
Japan	3,687	2,734
Europe	1,351	980
Other	1,794	830
Total sales	\$ 73,447	\$ 32,395

	September 30, 2022	June 30, 2022
Non-current assets:		
United States	\$ 40,816	\$ 38,238
Canada	99,067	99,889
Japan	1,092	1,088
Europe	19	19
Mexico	1,154	1,141
China	1,294	738
Total non-current assets	\$ 143,442	\$ 141,113

Sales to major customers

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

	Three months ended September 30,	
	2022	2021
Customer A	\$ 28,633	\$ 5,549
Customer B	14,984	4,543
Customer C	5,093	6,792
Total sales	\$ 48,710	\$ 16,884

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

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15. 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.

During the three months ended September 30, 2022, there were no assets or liabilities measured at fair value according to the three-level hierarchy.

16. FINANCIAL INSTRUMENTS

Accounts receivable

As at September 30, 2022, the weighted average age of customer accounts receivable was 33 days (June 30, 2022 - 34 days); and the weighted average age of past-due accounts receivable approximated 67 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:

	September 30, 2022	June 30, 2022
Current	\$ 58,509	\$ 43,555
31 to 60 days	1,529	1,822
61 to 90 days	1,122	1,174
Over 90 days	874	1,494
Total accounts receivable	\$ 62,034	\$ 48,045

The Company maintains 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 at September 30, 2022 of \$29 (June 30, 2022 - \$4).

Currency exposure 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. Forward contracts are entered into based on projected requirements for converting U.S. to Canadian dollars. The Company does not recognize these contracts in the consolidated financial statements when they are entered into, nor accounts for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes in fair value are recorded in the consolidated statements of comprehensive income (loss) in foreign exchange gain (loss). 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 September 30, 2022, the Company had one forward contract in a liability position of \$0.2 million (September 30, 2021 – asset position of \$0.8 million).

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17. SUPPLEMENTAL INFORMATION

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

Depreciation and amortization – operating activities

	Three months ended September 30,	
	2022	2021
Depreciation of property, plant and equipment	\$ 794	\$ 612
Depreciation of right-of-use assets	333	412
Amortization of deferred development costs	2,819	2,517
Amortization of finite-life intangible assets	804	777
Total depreciation and amortization	\$ 4,750	\$ 4,318

Net change in working capital – operating activities

	Three months ended September 30,	
	2022	2021
Accounts receivable	\$ (13,032)	\$ (2,767)
Inventories	(15,660)	(7,582)
Prepaid expenses	(6,537)	(1,651)
Income tax receivable	(37)	-
Contract assets	(32)	(24)
Accounts payable and accrued liabilities	12,757	4,871
Deferred revenue	(1,825)	(1,472)
Total change in net working capital	\$ (24,366)	\$ (8,625)

Capital expenditures, net – investing activities

	Three months ended September 30,	
	2022	2021
Capital expenditures before proceeds of disposition:		
Property, plant and equipment	\$ (875)	\$ (916)
Intangible assets	(12)	(4)
Total capital expenditures, net	\$ (887)	\$ (920)

18. CONTRACTUAL OBLIGATION

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. At September 30, 2022, the contractual obligation, based on forecasted commitments, is estimated to be \$69,913 (June 30, 2022 - \$49,355), of which \$3 is deemed to be onerous (June 30, 2022 - \$26).

19. RELATED PARTY TRANSACTIONS

The Company entered into a building lease on August 1st, 2022 with one of the principal shareholders. The lease terms are at fair market value. Total lease payments, including interest, in the first quarter of fiscal 2023 were \$0.02 million. There were no other related party transactions in the first quarter of fiscal 2023.

20. SUBSEQUENT EVENTS

On November 8, 2022, the Board of Directors declared a dividend of \$0.055 per common share, payable on December 19, 2022 to shareholders of record as at November 25, 2022 consistent with its previously announced dividend policy.