



Audited Annual Consolidated Financial Statements of

VECIMA NETWORKS INC.

For the years ended June 30, 2023 and 2022

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

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To the Shareholders of Vecima Networks Inc.

Opinion

We have audited the consolidated financial statements of Vecima Networks Inc. (the "Company") which comprise the consolidated statements of financial position as at June 30, 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.

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

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 Faizullahoy"

Danial Faizullahoy
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 reclassified 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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VECIMA NETWORKS INC.**Notes to the Consolidated Financial Statements****Years ended June 30, 2023 and 2022***(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 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 policies 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.

VECIMA NETWORKS INC.
Notes to the Consolidated Financial Statements
Years ended June 30, 2023 and 2022
(in thousands of Canadian dollars except as otherwise noted)

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

VECIMA NETWORKS INC.
Notes to the Consolidated Financial Statements
Years ended June 30, 2023 and 2022
(in thousands of Canadian dollars except as otherwise noted)

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.

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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.

Lessor accounting

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

(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.

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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.

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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.

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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.

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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.

Revenue from contracts with customers and deferred revenue

Significant judgment may be required in determining the distinct performance obligations within a contract and the allocation of transaction price to multiple element performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price for each. If the stand-alone selling price is not observable, the Company estimates the stand-alone selling price for each distinct performance obligation based on 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.

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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 estimatesImpairment 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.

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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.

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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

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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

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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.

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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				Total
	Spectrum and other licenses	Customer contracts	Patents	Intellectual property	Deferred development costs		
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).

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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.

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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.

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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.

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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

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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).

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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).

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	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.

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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.

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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

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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
Weighted 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.

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*(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

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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.

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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.

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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).

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(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.

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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

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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.