Management's Discussion & Analysis

and

Annual Consolidated Financial Statements

Year ended June 30, 2018

Dear Fellow Shareholders,

In fiscal 2018, Vecima Networks made broad strategic progress as we celebrated our 30th year in business and furthered our reputation for groundbreaking innovation and industry leadership. Financially, our revenues grew 9% to $78.1 million; we increased gross margin to 54%, generated Adjusted EBITDA of $14.5 million and ended the year with a cash balance of $ 57.7 million, after completing a major acquisition and making significant investments in next generation products.

We started the year with the announcement of our plans to acquire the business assets of Concurrent Computer Corporation, an industry leader in the IP Video Delivery space. The US$29.0 million transaction was finalized in December and has enhanced Vecima with a complementary and more diversified product portfolio, as well as broader market reach. After a smooth integration, the Concurrent operations are fully meeting our expectations with all product lines enjoying strong market momentum.

In our core cable business, we continued to position Vecima to capitalize on the DOCSIS 3.1 network transformation, which is poised to disrupt the global cable industry going forward, creating significant long-term growth opportunities. The new standard, designed to support consumer demand for gigabit internet speeds and multi-screen IP video, requires a fundamental shift in network architecture. While the transition has proceeded more slowly than the industry anticipated, the major MSOs continue to push forward towards distributed access architecture. We have made excellent progress readying our Entra family of DOCSIS 3.1 products for field trials and expect these to get underway as our customers refine their plans and priorities.

I am proud to note that our new platforms are reinforcing Vecima's reputation for technical excellence. Early in the fiscal year, our Entra Access Switch won top prize in Broadband Technology Report's Diamond Technology Review with our Entra Distributed Access Platform and our new Terrace DVB Commercial Video Gateway recognized as a finalists.

Looking ahead, we expect fiscal 2019 will be a year of sharp focus for Vecima as we pursue the emerging opportunities in the cable broadband sector while also building and developing the Concurrent business within our new Content Delivery and Storage segment. We will focus on leveraging the complementary nature of these two businesses to provide immediate benefits to our shared customers while addressing larger, commercial opportunities and building Vecima as a stronger global player in the marketplace. We are confident that gigabit broadband and IP video are the most important market developments in the service provider industry. Through our award-winning, next-generation family of products, we are positioning Vecima to capitalize on the many ways people are consuming more information and entertainment.

We are excited about Vecima's future and look forward to telling you more about our progress this next year as we continue toward our vision. On behalf of the Board of Directors, I want to thank our employees and our shareholders for their continued support and commitment to Vecima.

Sincerely,

Sumit Kumar
President and CEO

VECIMA NETWORKS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 27, 2018

This Management's Discussion and Analysis (MD&A) provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the year ended June 30, 2018.

Our MD&A supplements, but does not form part of, our audited consolidated financial statements and related notes for the year ended June 30, 2018. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended June 30, 2018 and June 30, 2017 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

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

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

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Company Overview

Founded in 1988, Vecima Networks Inc. (TSX:VCM) is a Canadian company with offices in Saskatoon, Burnaby, Victoria, Atlanta and Tokyo.

We are a globally recognized leader in creating breakthrough technology solutions that empower network service providers to connect people and enterprises to information and entertainment worldwide.

On December 31, 2017, we acquired the Video Content Delivery and Storage business of Concurrent Computer Corporation ("Concurrent") through our new subsidiary Concurrent Technology (Canada) Inc.. Concurrent has offices in Atlanta, Georgia, and Tokyo, Japan, along with sales and support staff across Europe. The combined operations significantly enhance Vecima's global reach.

Concurrent is a global software and solutions company that develops advanced applications focused on storing, protecting, transforming, and delivering high value media assets. It serves industries and customers that demand uncompromising performance, reliability and flexibility to gain a competitive edge, drive meaningful growth and confidently deliver best-in-class solutions that enrich the lives of millions of people around the world every day.

As a result of this acquisition, our business is now organized into three segments:

1) **Video and Broadband Solutions** includes platforms and modules that process data from the cable network and deliver it in formats suitable to be consumed on televisions and Internet devices. Terrace and TerraceQAM are two key product families in this segment which meet the needs of the business services vertical including MDU (multi-unit dwellings) and Hospitality (including hotels, motels and resorts).

2) **Content Delivery and Storage** includes solutions & software for industries and customers that focus on storing, protecting, transforming, and delivering high value media assets.

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

Industry Developments

Video and Broadband Solutions

The cable industry's move to distributed access architectures (DAA) under the latest DOCSIS 3.1 standard is expected to roll out with top tier players in calendar 2018 and 2019, and continue for several years thereafter. Released by CableLabs in 2014, DOCSIS 3.1 unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second (Gbps) for download speed and 3 Gbps upload speed, making DOCSIS 3.1 comparable to the speed provided by fiber optic connections, but without the added infrastructure cost. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 modems can coexist with older versions and build on top of the previously deployed capacity. The higher efficiency of DOCSIS 3.1 technology also enables significant cost per bit reductions relative to DOCSIS 3.0 network solutions. According to the latest industry analysis, 80% of cable operators have committed to DAA deployment plans.

We have been focused on addressing this industry transition through the development of our next generation platform, Entra, which is a distributed access architecture solution. The Entra Distributed Access Platform is Vecima's realization of the next generation of HFC nodes as optical transport moves away from analog RF distribution to all-digital Ethernet.

Entra Distributed Access Platform
The Entra Distributed Access solution comprises three components:

- An access node that can operate as Remote PHY (R PHY) or Remote MACPHY (R MACPHY) and provides a modular platform for deployment of access technologies;
- Unified control software for management and monitoring of access nodes and;
- A Legacy QAM Adapter that provides a simple solution to adapt existing video QAM infrastructure for distributed access.

Entra Access Switch
The Entra family also includes the Entra Access Switch, an 8 port x 10 GbE weatherproof switch capable of supporting Carrier Ethernet services in almost any deployment environment. It is designed to extend the capacity of networks with insufficient fibers while minimizing the use of expensive digital optics.

During fiscal 2018, we continued to progress the Entra technology, demonstrating further interoperability and preparing for customer trials.

Content Delivery and Storage

Global demand for IP video content delivery and storage is growing, driven by the rapidly increasing consumption of IP video as consumers turn to streaming services and cable operators make vast arrays of new IP video content available to subscribers. Service providers are also pursuing new DVR opportunities that shift delivery and storage away from traditional set top storage to cloud-based models.

From a cable industry standpoint, the evolution in IP video is similar in both scale and importance to the bandwidth evolution currently underway with the shift to DOCSIS 3.1. In fact, these two evolutions are closely interrelated with increased consumption of IP video driving the need for cable operators to dramatically increase bandwidth.

With the acquisition of Concurrent Computer Corporation's IP Video Content Delivery and Storage business, Vecima now has access to the two large-scale markets created as a result of these evolutions. The Concurrent business focuses specifically on MSO's current and emerging IP video content delivery and storage needs with four key product categories: Aquari™ Storage, Laguna™ Cache, Zephyr™ Origin and Zephyr™ Cache.

Telematics

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

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next generation platforms such as our new DOCSIS 3.1 platform, Entra, as well as new IP video storage and distribution technologies being developed within the Concurrent operations. We also intend to continue pursuing profitable growth both organically and when appropriate, through value enhancing strategic acquisitions.

Fourth Quarter and Fiscal 2018 Highlights

Financial Highlights

- Achieved 2018 revenue of $78.1 million and a gross margin of 54%, up from revenue of $71.5 million and gross margin of 52% in fiscal 2017
- Achieved net income of $10.8 million (earnings per share of $0.48)
- Generated Adjusted EBITDA of $14.5 million
- Ended the year in strong financial position with $57.7 million in cash
- Declared annual dividends of $0.22 per share, including a fourth quarter dividend of $0.055 per share payable on November 2, 2018 to shareholders of record on October 12, 2018. This represents the 17th consecutive quarterly dividend paid by Vecima since October 28, 2014. Including the dividend declared September 25, this represents $20.0 million returned to shareholders through regular dividends

Video and Broadband Solutions

- Achieved significant progress on our Entra DOCSIS 3.1 solution, demonstrating further functionality and interoperability with several major North American MSOs
  - Continued convergence of multiple Tier 1 MSOs to Remote PHY further substantiates Vecima's technology focus
  - Shipped multiple Entra products, including Remote PHY Access node, Legacy QAM Adapter and Access switch to multiple customer labs in North America and Latin America for integration and vendor qualification
  - Furthered interoperability progress on Entra Access nodes with major CCAP core providers within Tier 1 MSO labs
  - Completed initial DAA release for Entra Access Switch and initiated further customer trials with major MSO
- Terrace family of products sales increased by 12% YOY, reflecting strong demand for TC600E
- Successfully completed Terrace DVB field trials with a Tier 1 MSO in Europe

Content Delivery and Storage

- Acquired assets of Concurrent Computer Corporation on December 31, 2017 and completed smooth integration of the new operations in the second half of fiscal 2018
- Achieved strong sales momentum, with second half of 2018 sales exceeding Concurrent's prior-year results by 12.4% on a comparative basis as product rollouts were increased to Tier 1 and Tier 2 customers
- Released three new version upgrades for Aquari Storage, Laguna Cache and Zephyr Origin product lines
- Deployment of primary IPTV services to multiple Tier 1and Tier 2 MSOs, adding to a growing list of North American and international customers launching IPTV services on Concurrent platforms
- Strong order flow for Laguna Cache following completion of a feature enhancement for a large Tier 1 U.S. MSO
- In Q4 2018 Laguna Cache honoured with NewBay Media's Best of Show award at NAB 2018

Telematics

- Software release to address fleet management requirements of municipal government customers
- Selected by the City of Victoria for provision of fleet management solutions

Outlook

The North American cable industry continues to prepare for the new DOCSIS 3.1 standard with MSOs at various stages of planning. While the timing of the volume phase of the transition remains difficult to predict, we are working closely with our MSO customers and see significant potential for our new Entra DOCSIS 3.1 platforms. We will continue to invest in our new technologies in fiscal 2019 and anticipate that demand for our legacy cable products will continue to taper off.

As we respond to the cable industry's need to deliver increasing content over an IP framework, we expect demand for our IP Video Content Delivery and Storage products to continue to grow. Our content delivery and storage products broadly address the ongoing network upgrades to IP-oriented video technologies and we intend to capitalize on our strong customer relationships in this sector.

We expect demand for our Telematics products to continue in 2019 with incremental growth in the existing fleet tracking market while pursuing new opportunities in asset tracking.

Overall, management expects fiscal 2019 to be a year of continued investment and development as we position Vecima for industry leadership in the DOCSIS 3.1 market and the IP video content delivery and storage space. With a strong financial position, we are well positioned to pursue our product strategies, while also continuing to assess attractive acquisitions that provide significant accretion and give rapid access to technologies that will help drive our growth and success.

Assets Held For Sale and Discontinued Operations

We completed the sale of the telecommunications assets of the YourLink business in British Columbia in fiscal 2017, and in Q1 fiscal 2018, completed the final transaction on the sale of the telecommunication assets of the YourLink business in Saskatchewan. Financial results attributable to the disposal of all YourLink assets have been presented as discontinued operations.

Consolidated Results of Operations

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

Consolidated Statements of	**Years ended June 30,**					
Comprehensive Income Data	**2018**		2017		2016	
Sales	**$ 78,104**	**100 %**	$ 71,460	100 %	$ 98,347	100 %
Cost of sales	**36,254**	**46 %**	34,439	48 %	44,125	45 %
Gross profit	**41,850**	**54 %**	37,021	52 %	54,222	55 %
Operating expenses						
Research and development[1]	**15,101**	**19 %**	11,749	17 %	10,856	11 %
Sales and marketing	**10,463**	**13 %**	5,285	7 %	5,622	6 %
General and administrative	**13,248**	**17 %**	9,875	14 %	8,743	9 %
Impairment of intangible assets	**22**	**- %**	174	- %	-	- %
Impairment of property, plant and equipment	**-**	**- %**	-	- %	337	- %
Restructuring costs	**-**	**- %**	986	1 %	-	- %
Stock-based compensation	**80**	**- %**	321	1 %	502	1 %
Other (income) expense	**(317)**	**- %**	(276)	- %	6	- %
	38,597	**49 %**	28,114	40 %	26,066	27 %
Operating income	**3,253**	**5 %**	8,907	12 %	28,156	28 %
Finance income	**1,132**	**1 %**	1,134	1 %	894	1 %
Foreign exchange (loss) gain	**930**	**1 %**	795	1 %	46	- %
Income before income taxes	**5,315**	**7 %**	10,836	14 %	29,096	29 %
Income tax expense	**1,532**	**2 %**	3,045	3 %	7,862	8 %
Net income from continuing operations	**3,783**	**5 %**	7,791	11 %	21,234	21 %
Net income from discontinued operations	**7,019**	**9 %**	10,257	14 %	735	1 %
Net income	**$ 10,802**	**14 %**	$ 18,048	25 %	$ 21,969	22 %
Other comprehensive income	**$ 1,077**	**1 %**	$ -	- %	$ -	- %
Comprehensive income	**$ 11,879**	**15 %**	$ 18,048	25 %	$ 21,969	22 %
Net income per share[2]						
Basic	**$ 0.48**		$ 0.81		$ 0.98	
Basic from continuing operations	**$ 0.17**		$ 0.35		$ 0.95	
Diluted	**$ 0.48**		$ 0.80		$ 0.98	
Diluted from continuing operations	**$ 0.17**		$ 0.35		$ 0.95	
Other Data						
Total research and development expenditures[3]	**$ 27,469**	**35 %**	$ 21,066	29 %	$ 18,104	18 %
Adjusted EBITDA[4]	**$ 14,536**	**19 %**	$ 20,296	28 %	$ 37,810	38 %
Adjusted earnings per share[5]	**$ 0.17**		$ 0.40		$ 0.99	
Number of employees[6]	**419**		352		509	

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

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

(3) See "Total Research and Development Expenditures"

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

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

(6) The number of employees is determined as of the end of the period

Consolidated Statements of Financial Position Data

(unaudited - in thousands of dollars except number of common shares)		June 30, 2018		June 30, 2017		June 30, 2016
Cash and cash equivalents	$	**11,034**	$	3,517	$	22,222
Short-term investments	$	**46,660**	$	85,675	$	51,872
Working capital	$	**77,403**	$	110,457	$	93,222
Total assets	$	**210,039**	$	193,995	$	186,245
Long-term debt	$	**1,979**	$	2,208	$	2,458
Shareholder's equity	$	**189,285**	$	182,242	$	169,043
Number of common shares outstanding[1]		**22,414,944**		22,385,574		22,384,877

[1] *Based on weighted average number of common shares outstanding*

Adjusted Earnings per Share

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

Calculation of Adjusted Earnings Per Share		**Years ended June 30,**				
(unaudited - in $000's except per share amounts)		**2018**		2017		2016
Net income	**$**	**10,802**	$	18,048	$	21,969
(Gain) loss on sale of non-core PP&E, net of tax		**-**		(9,311)		42
(Gain) loss on sale of spectrum licenses, net of tax		**(7,087)**		62		-
Impairment of intangible assets, net of tax		**16**		130		-
Impairment of PP&E, net of tax		**-**		-		250
Adjusted net income	**$**	**3,731**	$	8,929	$	22,469
Earnings per share	**$**	**0.48**	$	0.81	$	0.98
(Gain) loss on sale of non-core PP&E, net of tax		**-**		(0.42)		-
(Gain) on sale of spectrum licenses, net of tax		**(0.31)**		-		-
Impairment of intangible assets, net of tax		**-**		0.01		-
Impairment of PP&E, net of tax		**-**		-		0.01
Adjusted earnings per share	**$**	**0.17**	$	0.40	$	0.99

EBITDA and Adjusted EBITDA

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

Calculation of Adjusted EBITDA	Years ended June 30,		
	2018	2017	2016
Net income	**$ 10,802**	$ 18,048	$ 21,969
Income tax expense	**$ 2,627**	$ 4,263	$ 8,115
Interest expense	**92**	110	106
Depreciation of PP&E	**2,406**	2,202	2,822
Amortization of deferred development costs	**4,227**	3,686	3,502
Amortization of finite-life intangible assets	**2,294**	1,044	409
EBITDA	**22,448**	29,353	36,923
Loss on disposal of intangibles	**-**	71	-
Gain on sale of assets held for sale	**(8,109)**	(346)	-
Loss (gain) on sale of PP&E	**95**	(10,263)	48
Impairment loss of PP&E	**-**	-	337
Impairment of intangible assets	**22**	174	-
Restructuring costs	**-**	986	-
Stock-based compensation	**80**	321	502
Adjusted EBITDA	**$ 14,536**	$ 20,296	$ 37,810
Adjusted EBITDA margin (%)	**19 %**	28 %	38 %

Total Research and Development Expenditures

The following table reconciles research and development expense reported in accordance with IFRS as shown on the consolidated statements of comprehensive income to our actual cash research and development expenditures.

Calculation of Research and Development Expenditures	Years ended June 30,		
	2018	2017	2016
Research and development per statement of net income and comprehensive income	**$ 15,101**	$ 11,749	$ 10,856
Deferred development costs	**16,407**	12,950	11,163
Investment tax credits	**237**	342	(10)
Amortization of deferred development costs	**(4,227)**	(3,686)	(3,502)
Government grant	**(49)**	(289)	(403)
Total research and development expenditure	**$ 27,469**	$ 21,066	$ 18,104
Percentage of sales	**35 %**	29 %	18 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the years ended June 30, 2018 and fiscal 2017 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

	Fiscal Year 2018				Fiscal Year 2017			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Sales	**24,346**	**24,124**	**14,752**	**14,882**	14,629	15,718	20,227	20,886
Cost of sales	**11,075**	**11,743**	**7,032**	**6,404**	7,171	7,506	9,745	10,017
Gross profit	**13,271**	**12,381**	**7,720**	**8,478**	7,458	8,212	10,482	10,869
Operating expenses								
Research and development	**4,427**	**4,466**	**3,045**	**3,163**	3,074	2,969	2,857	2,849
Sales and marketing	**4,227**	**4,015**	**1,113**	**1,108**	1,423	1,404	1,161	1,297
General and administrative	**3,979**	**4,119**	**2,540**	**2,610**	2,521	2,471	2,419	2,464
Impairment of intangible assets	**22**	**-**	**-**	**-**	174	-	-	-
Restructuring costs	**-**	**-**	**-**	**-**	986	-	-	-
Stock-based compensation	**31**	**22**	**14**	**13**	120	67	66	68
Other (income) expense	**(92)**	**(54)**	**(89)**	**(82)**	(169)	(123)	13	3
	12,594	**12,568**	**6,623**	**6,812**	8,129	6,788	6,516	6,681
Operating income (loss)	**677**	**(187)**	**1,097**	**1,666**	(671)	1,424	3,966	4,188
Finance income	**211**	**237**	**386**	**298**	771	48	62	253
Foreign exchange (loss) gain	**454**	**846**	**300**	**(670)**	(331)	150	493	483
Income (loss) before income taxes	**1,342**	**896**	**1,783**	**1,294**	(231)	1,622	4,521	4,924
Income tax expense	**554**	**194**	**454**	**330**	(94)	603	1,168	1,368
Net income (loss) from continuing operations	**788**	**702**	**1,329**	**964**	(137)	1,019	3,353	3,556
Net income (loss) from discontinued operations	**(45)**	**1**	**1**	**7,062**	(6)	9,356	420	487
Net income (loss)	**$ 743**	**$ 703**	**$ 1,330**	**$ 8,026**	$ (143)	$ 10,375	$ 3,773	$ 4,043
Other comprehensive income	**$ 450**	**$ 627**	**$ -**	**$ -**	$ -	$ -	$ -	$ -
Total comprehensive income (loss)	**$ 1,193**	**$ 1,330**	**$ 1,330**	**$ 8,026**	$ (143)	$ 10,375	$ 3,773	$ 4,043
Net income (loss) per share								
Basic	**$ 0.03**	**$ 0.03**	**$ 0.06**	**$ 0.36**	$ (0.01)	$ 0.47	$ 0.17	$ 0.18
Diluted	**0.03**	**0.03**	**0.06**	**0.36**	(0.01)	0.46	0.17	0.18
Adjusted EBITDA as reported	**$ 4,352**	**$ 3,753**	**$ 3,557**	**$ 2,874**	$ 2,415	$ 3,430	$ 7,360	$ 7,091

Quarter-to-Quarter Sales Variances

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

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

Our acquisition of the Concurrent business has also contributed to variation in our quarterly sales. In particular, our marketing of Concurrent’s four main product categories bolstered sales in the third and fourth quarters of fiscal 2018.

Segmented Information

Sales

	Three months ended June 30,		Years ended June 30,	
Segment	**2018**	2017	**2018**	2017
Video and Broadband Solutions	**$ 11,085**	$ 13,473	**$ 50,319**	$ 66,055
Content Delivery and Storage	**11,951**	-	**22,477**	-
Telematics	**1,310**	1,156	**5,308**	5,405
Total sales	**$ 24,346**	$ 14,629	**$ 78,104**	$ 71,460

Three-Month Sales

We grew total sales to $24.3 million in the fourth quarter of fiscal 2018, a 66% increase compared to $14.6 million in Q4 2017, and 1% higher than the $24.1 million generated in Q3 fiscal 2018. Acquisition based growth was the key factor in our higher sales with our new Concurrent operations, which we acquired on December 31, 2017, contributing fourth quarter revenue of $12.0 million. This compares to a $10.5 million contribution in Q3 2018.

Video and Broadband Solutions sales were $11.1 million in the fourth quarter of fiscal 2018, compared to $13.5 million in Q4 fiscal 2017 and $12.2 million in Q3 fiscal 2018.

- Fourth quarter sales of the Terrace family of products increased 24% to $7.9 million, from $6.4 million in the fourth quarter of fiscal 2017. The higher sales reflect strong purchasing activity by a Tier 1 MSO for the TC600E, as part of a continued network-wide all-digital conversion.

- Fourth quarter fiscal 2018 sales of TerraceQAM were $2.2 million, compared to $5.7 million in the fourth quarter of 2017, a 62% decrease. We believe our customer's need for new systems is nearing saturation. We have delivered a further platform enhancement which frees up network capacity by supporting a new digital audio format. We anticipate further upgrade-related sales in the future when the compression format rolls out.

Content Delivery and Storage sales were $12.0 million in the fourth quarter of fiscal 2018, compared to $nil in Q4 fiscal 2017 and up 14% from $10.5 million in Q3 2018. The increase in sequential quarterly sales reflects strong order flow for Laguna Cache following completion of a feature enhancement for a large Tier 1 MSO. Segment sales for the period include $8.9 million of product sales and $3.1 million of services revenue.

Telematics sales were $1.3 million in the fourth quarter of fiscal 2018, up 13% from $1.2 million in Q4 fiscal 2017 and down slightly from $1.4 million in Q3 fiscal 2018. Results for the quarter were in line with our expectations.

Twelve-Month Sales

For the 12 months ended June 30, 2018, we generated total sales of $78.1 million, a 9% increase from the $71.5 million generated in fiscal 2017.

Fiscal 2018 Video and Broadband Solutions sales were $50.3 million, a 24% decline from sales of $66.1 million last year.

- Sales of the Terrace family of products increased to $32.4 million, from $29.0 million in fiscal 2017. The 12% increase reflects higher TC600E sales year-over-year, partially offset by lower TC1200 sales.

- Sales of TerraceQAM were $12.4 million for fiscal 2018, compared to $27.1 million in the same period of fiscal 2017, a 54% decrease.

- Digital Video Access Platform (DVAP) sales increased to $1.6 million in fiscal 2018, from sales of $nil in fiscal 2017. The increased sales reflect the first quarter 2018 delivery to our lead customer of a new software upgrade that prepares this platform to support distributed access architecture. Over time, we expect this upgrade will help to increase the pace of DVAP deployment among MSOs as they prepare for distributed access architecture which cannot be supported by legacy devices.

Content Delivery and Storage sales were $22.5 million in fiscal 2018, compared to $nil in fiscal 2017. Results for fiscal 2018 included six months of operations from the Concurrent assets following our acquisition on December 31, 2017.

Telematics sales were $5.3 million in fiscal 2018, down slightly from $5.4 million during fiscal 2017. The year-over-year change was driven primarily by lower legacy product sales.

Cost of Sales

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

Gross Profit and Gross Margin

	Three months ended June 30,		Years ended June 30,	
Segment	**2018**	2017	**2018**	2017
Video and Broadband Solutions	**$ 5,200**	$ 6,418	**$ 24,933**	$ 33,253
Content Delivery and Storage	**7,154**	-	**13,175**	-
Telematics	**917**	1,040	**3,742**	3,768
Total gross profit	**$ 13,271**	$ 7,458	**$ 41,850**	$ 37,021
Video and Broadband Solutions	**46.9 %**	47.6 %	**49.5 %**	50.3 %
Content Delivery and Storage	**59.9 %**	- %	**58.6 %**	- %
Telematics	**70.0 %**	90.0 %	**70.5 %**	69.7 %
Total gross margin	**54.5 %**	51.0 %	**53.6 %**	51.8 %

Three-Month Results

For the three months ended June 30, 2018, our gross margin increased to 55%, providing a total gross profit of $13.3 million. This was up from a gross margin of 51% (total gross profit of $7.5 million) in the same period last year, and a gross margin of 51% (total gross profit of $12.4 million) in Q3 fiscal 2018.

Gross margin from the Video and Broadband Solutions segment decreased to 47% (gross profit of $5.2 million) in the fourth quarter of fiscal 2018, compared to 48% (gross profit of $6.4 million) during the same period in fiscal 2017. Gross margin in current quarter was impacted by lower prices for certain Terrace family products sales and by the reduced overall sales in Q4 fiscal 2018 as compared to Q4 fiscal 2017.

In the Content Delivery and Storage segment, fourth quarter gross margin increased to 60% (gross profit of $7.2 million), from 57% (gross profit of $6.0) in Q3 fiscal 2018. The sequential quarterly increase reflects the change in customer mix quarter-over-quarter. This was the second quarter of operations for the segment following our December 31, 2017 acquisition of assets of Concurrent Computer Corporation.

Telematics gross margin was 70% (gross profit of $0.9 million) in the fourth quarter of fiscal 2018, down from a gross margin of 90% (gross profit of $1.0 million) in Q4 fiscal 2017. This decrease reflects an adjustment resulting from a change in estimate for capitalized equipment amortization in the prior-year quarter.

Twelve-Month Results

For the year ended June 30, 2018, we achieved a gross margin of 54%, providing a total gross profit of $41.9 million. This compares to a gross margin of 52% and a total gross profit of $37.0 million in fiscal 2017.

Gross margin from the Video and Broadband Solutions segment was 50%, providing a gross profit of $24.9 million in fiscal 2018. This compares to a gross margin of 50% and a gross profit of $33.3 million in fiscal 2017. The lower gross profit primarily reflects lower sales in fiscal 2018 compared to fiscal 2017.

Content Delivery and Storage achieved a gross margin of 59% in fiscal 2018, providing a gross profit of $13.2 million. This was the second quarter of operations for the new segment and results were in line with our expectations.

Telematics achieved a gross margin of 71% in fiscal 2018, providing a gross profit of $3.7 million. This compares to a gross margin of 70% and gross profit of $3.8 million in fiscal 2017.

Operating Expenses

	Three months ended June 30,		Years ended June 30,	
Segment	**2018**	2017	**2018**	2017
Video and Broadband Solutions	**$ 6,044**	$ 6,942	**$ 24,189**	$ 24,573
Content Delivery and Storage	**5,808**	-	**11,149**	-
Telematics	**742**	1,187	**3,259**	3,541
Total operating expense	**$ 12,594**	$ 8,129	**$ 38,597**	$ 28,114

Three-Month Results

For the three months ended June 30, 2018, total operating expenses were $12.6 million, compared to $8.1 million in Q4 fiscal 2017 and $12.6 million in Q3 fiscal 2018. The year-over-year increase primarily reflects the addition of the Concurrent operations, partially offset by one-time restructuring costs in Q4 fiscal 2017.

Video and Broadband Solutions operating expenses for the fourth quarter were lower at $6.0 million, as compared to $6.9 million in Q4 2017. The decrease mainly reflects one-time restructuring costs in the prior-year quarter. On a sequential quarterly basis, operating expenses were $0.4 million lower than the $6.4 million recorded in Q3 fiscal 2018, primarily due to higher acquisition-related costs in the prior quarter.

Content Delivery and Storage operating expenses were $5.8 million in Q4 fiscal 2018, the second quarter of reporting operations. On a sequential quarterly basis, operating expenses were $0.5 million higher than the $5.3 million recorded in Q3 fiscal 2018, mainly reflecting higher commission expenses in sales and marketing in the current quarter.

Telematics operating expenses decreased slightly to $0.7 million in Q4 fiscal 2018, from $1.2 million in Q4 fiscal 2017. This decrease primarily reflects an adjustment in the prior-year quarter which reduced deferred development costs, together with an impairment in intangibles during the same period.

Twelve-Month Results

For the year ended June 30, 2018, total operating expenses increased to $38.6 million, from $28.1 million in fiscal 2017.

Video and Broadband Solutions operating expenses decreased slightly to $24.2 million, from $24.6 million in fiscal 2017. The year-over-year decrease mainly reflects benefits from the restructuring of operations at the beginning of fiscal 2018, partially offset by acquisition costs incurred in the current year related to the Concurrent transaction.

Telematics operating expenses decreased to $3.3 million in fiscal 2018, from $3.5 million in fiscal 2017. This decrease reflects reduced research and development, sales and marketing, and general and administrative expenses.

*Research and development expense*s for the three months ended June 30, 2018 increased to $4.4 million, or 18% of sales, from $3.1 million, or 21% of sales in the same period of fiscal 2017. We continue to invest in research and development to support the launch of our new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the three months ended June 31, 2018 increased to $8.1 million, or 33% of sales, from $5.7 million, or 39% of sales in Q4 fiscal 2017. The increase was primarily the result of the acquisition of Concurrent, higher subcontracting costs, and lower prototyping costs and government grants in the current period.

*Research and development expense*s for the year ended June 30, 2018 increased to $15.1 million, or 19% of sales, from $11.7 million, or 16% of sales in the same period of fiscal 2017. We continue to invest in research and development to support the launch of our new products. Until these products are in commercial production, the development costs are deferred to future periods. For the year ended June 30, 2018, total research and development costs before deferrals, amortization of deferred development costs and income tax credits increased to $27.5 million, or 35% of sales, from $21.1 million, or 29% of sales in fiscal 2017. This increase reflects the acquisition of Concurrent, along with additional subcontracting costs and lower government grants in the current year offset by lower prototyping costs.

Sales and marketing expenses increased to $4.2 million, or 17% of sales in Q4 fiscal 2018, from $1.4 million, or 10% of sales last year. This increase reflects the addition of sales and marketing expenses related to the Concurrent operations. For the year ended June 30, 2018, sales and marketing expenses increased to $10.5 million, or 13% of sales, from $5.3 million, or 7% of sales in fiscal 2017. This increase reflects the addition of Concurrent sales and marketing expenses and higher inventory allowances for slow moving finished goods inventory, partially offset by lower warranty expense in the current-year period.

General and administrative expenses increased to $4.0 million in Q4 fiscal 2018, from $2.5 million in Q4 2017. The year-over-year increase reflects the addition of the Concurrent operations. For the year ended June 30, 2018, general and administrative expenses increased to $13.2 million, from $9.9 million in the same period last year for the same reasons described above.

*Stock-based compensation expens*e declined to $0.03 million in Q4 fiscal 2018, from $0.12 million in Q4 fiscal 2017. For the year ended June 30, 2018, stock based compensation was $0.08 million, down from $0.32 million in fiscal 2017.

Impairment of intangible assets decreased to $0.02 million for the three months ended June 30, 2018, from $0.17 million in the same period last year. For the year ended June 30, 2018, impairment of intangible assets decreased to $0.02 million, from $0.17 million in fiscal 2017.

Other income decreased to $0.09 million for the three months ended June 30, 2018, from $0.17 million in the same period last year. For the year ended June 30, 2018, other income increased to $0.32 million, from $0.28 million in fiscal 2017.

Operating Income

	Three months ended June 30,		Years ended June 30,	
	2018	2017	**2018**	2017
Video and Broadband Solutions	**$ (844)**	$ (524)	**$ 744**	$ 8,680
Content Delivery and Storage	**1,346**	-	**2,026**	-
Telematics	**175**	(147)	**483**	227
Total operating income	**$ 677**	$ (671)	**$ 3,253**	$ 8,907

Operating income increased to $0.7 million in Q4 fiscal 2018, from an operating loss of $0.7 million in Q4 fiscal 2017. The increase was driven by contribution from our new Content Delivery and Storage segment, together with increased operating income from the Telematics segment. These gains were partially offset by an increased operating loss in the Video and Broadband Solutions segment. Operating income for the year ended June 30, 2018 was $3.3 million, down 63% from operating income of $8.9 million in fiscal 2017. The year-over-year change reflects lower sales and gross profits in the Video and Broadband Solutions segment. This impact was partially offset by a decrease in operating expenses from this segment, as well as by the addition of operating income from our new Content Delivery and Storage segment.

Video and Broadband Solutions reported a fourth quarter operating loss of $0.8 million, as compared to a loss of $0.5 million in Q4 fiscal 2017. The year-over-year change reflects the $1.2 million reduction in gross profit, partially offset by a $0.9 million decrease in operating expenses largely attributable to the $1.0 million restructuring charge in the prior-year quarter. For the year ended June 30, 2018, operating income of $0.7 million was down 91% from $8.7 million in fiscal 2017. The year-over-year change was driven by lower sales and gross profit, partially offset by a decrease in total operating costs in the current year quarter mainly attributable to the prior year restructuring costs.

Content Delivery and Storage operating income was $1.3 million in Q4 fiscal 2018 and $2.0 million for fiscal 2018 reflecting the first two quarters of operations.

Telematics operating income increased to $0.2 million in Q4 fiscal 2018, from an operating loss of $0.1 million in Q4 fiscal 2017. Gross margin was down $0.1 million, but was offset by a $0.4 million reduction in operating expenses reflecting an adjustment in the prior-year quarter, which reduced deferred development costs. For the year ended June 30, 2018, Telematics operating income increased to $0.5 million, from $0.2 million in fiscal 2017. Lower operating expenses related to lower research and development, sales and marketing and general and administrative expenses were the main reasons for this increase.

Finance income decreased to $0.2 million in Q4 fiscal 2018, from $0.8 million in the same period last year. This reflects a $0.1 million decrease in Q4 2018 interest income, together with a $0.4 million gain on investments in the prior-year quarter. For the year ended June 30, 2018, finance income of $1.1 million was unchanged from the prior year. Interest income was lower by $0.1 million in Q4 2018, but was offset by a $0.1 million higher gain on investments in the same period.

Foreign exchange gain for the three months ended June 30, 2018 was $0.5 million, compared to a foreign exchange loss of $0.3 million in the prior-year quarter. For the year ended June 30, 2018, foreign exchange gain increased to $0.9 million from a gain of $0.8 million in fiscal 2017.

Income tax expense increased to $0.6 million in Q4 fiscal 2018 from an income tax recovery of $0.1 million in Q4 fiscal 2017. For the year ended June 30, 2018, income tax expense was $1.5 million, down from $3.0 million in fiscal 2017.

Net income from discontinued operations was $nil in Q4 fiscal 2018 and 2017. For the year ended June 30, 2018, net income from discontinued operations decreased to $7.1 million, from $10.3 million in the same period of fiscal 2017. Discontinued operations represent the YourLink operations in Saskatchewan sold in Q3 fiscal 2017 and Q1 fiscal 2018 and the YourLink operations in British Columbia sold in Q1 fiscal 2017.

Net income for Q4 fiscal 2018 increased to $0.7 million or $0.03 per share, from a net loss of $0.1 million or $0.01 loss per share in Q4 fiscal 2017. For the year ended June 30, 2018, net income was $10.8 million, or $0.48 per share, compared to $18.0 million or $0.81 per share for the same period in fiscal 2017.

Other comprehensive income was $0.5 million in Q4 fiscal 2018 and $1.1 million for the year ended fiscal 2018. This represents foreign exchange differences on the translation of the foreign operations of Concurrent to Canadian dollars.

Net income and total comprehensive income for Q4 fiscal 2018 increased to $1.2 million or $0.04 per share, up from a net loss of $0.1 million or $0.01 loss per share in Q4 fiscal 2017. For the year ended June 30, 2018, net income and total comprehensive income was $11.9 million, or $0.48 per share, compared to $18.0 million or $0.81 per share fiscal 2017.

Cash from Operating Activities

For the three months ended June 30, 2018, cash flow from operating activities provided cash of $0.7 million, compared to $1.9 million for the three months ended June 30, 2017. The $1.4 million change reflects a $4.0 million decrease in cash flow from non-cash working capital, partially offset by a $2.8 million increase in operating cash flow.

For the year ended June 30, 2018, cash flow from operating activities provided cash of $21.0 million, compared to $14.0 million in fiscal 2017. The $7.0 million increase reflects the $10.4 million increase in cash flow from non-cash working capital and a $0.7 million increase in cash flow from discontinued operations partially offset by a $4.1 million decrease in operating cash flow.

Investing Activities

Cash flow used in investing activities decreased to $2.9 million in Q4 fiscal 2018 from $3.4 million in the same period last year. The cash provided by investing activities represents the net sale of short-term investments of $2.5 million (Q4 fiscal 2017 - $0.3 million), deferred development expenditures of $4.8 million (Q4 fiscal 2017 - $3.3 million), and purchase of property, plant and equipment of $0.6 million (Q4 fiscal 2017 – $0.3 million).

Cash flow used by investing activities decreased to $7.9 million for the year ended June 30, 2018 from $28.9 million in fiscal 2017. The cash used by investing activities represents the acquisition of the assets of Concurrent of $37.4 million, net proceeds on sale of short-term investments of $39.0 million (fiscal 2017 net purchases - $33.8 million), deferred development expenditures of $16.4 million (fiscal 2017 - $13.0 million), the purchase of property, plant and equipment of $1.8 million (fiscal 2017 – $1.6 million) and cash provided by discontinued operations of $8.7 million (fiscal 2017 - $19.6 million).

Financing Activities

For the three months ended June 30, 2018 we paid dividends of $1.2 million (Q4 fiscal 2017 - $1.2 million) and repaid $0.1 million of our long-term debt (Q4 fiscal 2017 - $0.1 million repaid). We received proceeds of government grants of $nil (Q4 fiscal 2017 - $0.2 million). We repurchased commons shares for $0.3 million (Q4 fiscal 2017 - $nil).

For the year ended June 30, 2018 we paid dividends of $4.9 million (fiscal 2017 - $4.9 million) and repaid $0.2 million of our long-term debt (fiscal 2017 - $0.3 million repaid). We received proceeds from government grants of $0.05 million in 2018 (fiscal 2017 - $0.4 million). We issued commons shares for $0.9 million in exchange for shares in AirIQ Inc. (fiscal 2017 - $nil). We repurchased commons shares for $0.9 million (YTD fiscal 2017 - $0.3 million). We had net cash provided by discontinued operations of $nil (YTD fiscal 2017 - $1.3 million).

Liquidity and Capital Resources

We manage our liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. We believe we have the flexibility to obtain from internal sources the funds needed to fulfil our cash requirements during the following financial year. Our liquidity requirements are met primarily by funds generated from operations.

As at June 30, 2018, we had access to our full revolving loan facility of $14.0 million ($14.0 million at June 30, 2017), of which no amount was drawn as an operating line of credit (June 30, 2017 - $nil was drawn). We had term credit of $2.2 million as at June 30, 2018 (June 30, 2017 - $2.5 million). We believe that our current cash and short term investments of $57.7 million together with anticipated cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future.

Capital expenditures for Q4 fiscal 2018 were $0.6 million compared to $0.3 million in Q4 fiscal 2017. For the year ended June 30, 2018 capital expenditures were $1.8 million compared to $1.6 million in fiscal 2017. The quarterly and year-to-date increases are a result of Concurrent capital expenditures.

Working Capital

Working capital represents our current assets less current liabilities. Our working capital decreased to $77.4 million at June 30, 2018, from $110.5 million at June 30, 2017. This largely reflects the decrease in cash related to the acquisition of the assets of Concurrent. We note that working capital balances can also be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship $5 or $6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30 day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance increased to $18.0 million at June 30, 2018, from $13.0 million at June 30, 2017. This increase reflects the $8.0 million of accounts receivable of Concurrent, as well as timing of sales, with more orders shipped later in Q4 2018 which resulted in higher accounts receivable as at June 30, 2018.

Income tax receivable balance increased to $2.5 million at June 30, 2018 from $2.0 million at June 30, 2017. This balance represents income tax paid in respect of a January 2017 CRA re-assessment (see Commitments below for details) and a $0.5 million income tax receivable to be collected in fiscal 2019.

Inventory increased by $1.1 million to $15.0 million at June 30, 2018, from $13.9 million as at June 30, 2017. Concurrent inventory accounted for $2.1 million of the June 30, 2018 inventory. Finished goods inventories were $7.5 million at June 30, 2018, compared to $8.1 million at June 30, 2017. Raw material inventory increased to $6.7 million at June 30, 2018, compared to $4.5 million at June 30, 2017. Work-in-process inventories decreased to $0.8 million as at June 30, 2018, from $1.3 million at June 30, 2017. We manufacture and assemble products, with the result that inventory levels will be substantially higher than for other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were $22.7 million at June 30, 2018 up from $20.1 million at June 30, 2017. For every dollar we spend on eligible research and development in Canada, we generate approximately fifteen cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities increased to $12.2 million at June 30, 2018 representing 65 days for payables to be outstanding. This compares to $6.4 million at June 30, 2017, representing an average of 60 days for payables to be outstanding. This increase partially reflects the addition of $5.6 million of Concurrent accounts payable.

Long-term debt, including current portion, decreased to $2.2 million at June 30, 2018 from $2.5 million at June 30, 2017.

Dividends

Declaration Date	**Dividend Amount (per share)**	**Record Date**	**Payable Date**
September 25, 2017	$0.055	October 13, 2017	November 3, 2017
November 7, 2017	$0.055	November 24, 2017	December 18, 2017
February 6, 2018	$0.055	February 26, 2018	March 19, 2018
May 8, 2018	$0.055	May 25, 2018	June 19, 2018

Contractual Obligations

We have lease commitments for production equipment, service vehicles and facilities amounting to $1.7 million within one year, $1.5 million after one year but not more than five years and $nil thereafter.

Commitments

In January 2017, we received a re-assessment from the Canada Revenue Agency ("CRA") regarding our tax treatment of gains on the sale of radio spectrum licenses in 2012 to 2014. The CRA has re-assessed the gains on the sale of these radio spectrum licenses as active business income, which would result in additional income taxes, penalties and interest payable of approximately $4.1 million. We, and our advisors, have reviewed the applicable tax law and believe our original treatment of these sales as capital gains was appropriate. We filed a Notice of Objection in March 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements. To avoid further penalties, 50% of the re-assessment was paid.

In March 2017, we received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on our 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of $1.3 million ($0.4 million tax affected). We and our advisors have reviewed the applicable tax law and believe our original treatment of these SR&ED claims was appropriate. We filed a Notice of Objection in regards to this matter in June 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements.

Foreign Exchange

Approximately 95% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the account receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchases are in U.S. dollars.

As at June 30, 2018, the exchange rate on the Canadian dollar strengthened to $1.314 against the U.S. dollar from Canadian $1.296 against the U.S. dollar as at June 30, 2017. This $0.018 exchange difference increased the value of our $26.8 million U.S. dollar net assets by approximately $0.5 million Canadian.

Financial Instruments

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

As at June 30, 2018, we did not have any forward contracts (June 30, 2017 - $nil).

Off-Balance Sheet Arrangements

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

Transactions Between Related Parties

We lease a building in Saskatoon under a 10-year lease from Dr. Surinder Kumar, the Chairman of Vecima. The lease was entered into in 2010 at prevailing market rates at that time and expires in 2019. The rental expense from this transaction was $0.3 million for the year ended June 30, 2018 (June 30, 2017 - $0.3 million).

Proposed Transactions

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

Critical Accounting Estimates

The preparation of our audited consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Use of judgment and estimates are disclosed in Note 3 of the audited consolidated financial statements for the year ended June 30, 2018 as well as in the Business Combination section below in this MD&A.

Accounting Pronouncements

Amendments to IFRS 2 – Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2 *Share-Based Payment*. The amendments were issued to provide clarification on the classification and measurement of share-based transactions. The standard is effective for periods beginning on or after January 1, 2018 with earlier application permitted. We have completed a preliminary review of the standard to determine the potential impact on its consolidated financial statements, and we do not expect any material impacts.

IFRS 9 Financial Instruments

In November 2009, the IASB issued guidance relating to the classification and measurement for financial assets followed by requirements for financial liabilities and derecognition which were added in 2010. IFRS 9 was amended in 2013 to add new general hedge accounting requirements. The standard must be applied retrospectively and is effective for annual periods beginning after January 1, 2018, with earlier application permitted. We have completed a preliminary review of the standard to determine the potential impact on our consolidated financial statements, and we do not expect any material impacts.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014 and amended in September 2015 and April 2016 for application beginning on or after January 1, 2018. This standard supersedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and provides guidance relating to the costs of obtaining and fulfilling a contract.

The application of IFRS 15 will impact our reported results, including the classification and timing of revenue recognition since the allocation of consideration between multiple element arrangements including software, equipment and services are performed at different points in time and over different periods of time. In addition, IFRS 15 requires the incremental cost to obtain a contract with a customer be capitalized and amortized over the contract term. We have completed our review of all customer contracts and expect the impact will not be material.

Our company's statement of financial position will be impacted as contract assets and contract liabilities will be recognized to reflect the timing difference between our completion of performance obligations and the customer payments. While similar differences are recognized currently, the application of IFRS 15 requires additional disclosure specific to contracts with customers. Our cash flows and underlying economics through which we transact with our customers will not be affected.

We will adopt IFRS 15 for the fiscal period beginning July 1, 2018. We plan to transition to the standard using the modified retrospective approach, which means that the cumulative impact of the adoption will be recognized in retained earnings as of July 1, 2018 and that comparative information will not be restated.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The standard is effective for periods beginning on or after January 1, 2019 with earlier application permitted. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances where there is uncertainty over income tax treatments. The standard is effective for periods beginning on or after January 1, 2019 with earlier application permitted. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

Disclosure Controls and Procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed, or caused to be designed, disclosure controls and procedures to provide reasonable assurance that material information relating to Vecima is made known by us to others, particularly during the period in which annual filings are being prepared, and information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Our CEO and CFO have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at June 30, 2018.

Internal Control over Financial Reporting

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

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at June 30, 2018 in accordance with Internal Control - Integrated Framework (2013), published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at June 30, 2018.

Our CEO and CFO have limited the scope of their design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of the Concurrent business, which we acquired on December 31, 2017. We have accordingly availed ourselves of provision 3.3(1)(b) of National Instrument 52-109, which permits exclusion of this acquisition in the design and operating effectiveness assessment of our ICFR for a maximum period of 365 days from the end of the financial period in which the acquisition occurred.

The following summary financial information pertains to the acquisition that was included in our consolidated financial statements for the period ended June 30, 2018:

Sales	$ 22,477
Net income	$ 1,305
Current assets	$ 11,925
Non-current assets	$ 32,400
Current liabilities	$ 6,199
Non-current liabilities	$ 614

Sales and net income for the three months ended June 30, 2018 includes sales of $12.0 million and net income of $0.7 million attributable to the acquisition of Concurrent. Sales and net income for the year ended June 30, 2018 includes sales of $22.5 million and net income of $1.3 million attributable to the acquisition of Concurrent.

Business Combination

On December 31, 2017, we acquired substantially all of the operating assets of Concurrent Computer Corporation for aggregate consideration of approximately $37.5 million - US$29.0 million plus a working capital adjustment of US$0.8 million (initially estimated at US$0.7 million).

We determined and allocated the purchase price on acquisition to the tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3 Business Combinations. The purchase price allocation process requires that we use significant estimates and assumptions, including fair value estimates, as of the acquisition date. While management uses its best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date, the estimates and assumptions are inherently uncertain and subject to refinement. Accordingly, the measurement of the assets acquired and liabilities assumed may change significantly upon finalization of our valuations and completion of the purchase price allocation, both of which are expected to be finalized in calendar 2018.

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

Legal Proceedings

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

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

Risk and Uncertainties

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

Outstanding Share Data

As at September 27, 2018, we had 22,370,621 common shares outstanding as well as options outstanding that are exercisable for an additional 518,491 common shares.

On November 30, 2017, we filed a notice of intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired 101,015 common shares of Vecima for cancellation in fiscal 2018. The normal course issuer bid expires on November 29, 2018.

Additional Information

Financial Governance

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

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

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

Forward-Looking Information

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

Forward looking information in this MD&A includes, but is not limited to statements that we believe that our current cash and short term investments of $57.7 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. While we believe our customer's need for new TerraceQAM systems is nearing saturation, we have delivered a further platform enhancement which frees up network capacity by supporting a new digital audio format. We anticipate further upgrade-related sales in the future when the compression format rolls out. A new software upgrade that prepares the DVAP platform to support distributed access architecture will over time help to increase the pace of DVAP deployment among MSOs as they prepare for distributed access architecture which cannot be supported by legacy devices Forward looking information also includes our Strategy, our Industry Developments and our Outlook in this MD&A.

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

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking information contained in this MD&A. Known risk factors include, among others: our statement of financial position, as well as the value of our core technologies, business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few key customers; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter to quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; our revenues are substantially concentrated in a single market category; if our intellectual property is not adequately protected, we may lose our competitive advantage; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; risks associated with our international operations; currency fluctuations may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; our future success depends on growth in the converged wired solutions market; competition from new or existing technologies may adversely affect our business; government regulation of our products and new government regulation could harm our business; and, third parties may allege that we infringe on their intellectual property. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward looking information in this MD&A is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward looking information to reflect future results, events or developments, except as required by law.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

September 27, 2018

The consolidated financial statements of Vecima Networks Inc. have been prepared by management and approved by the Board of Directors. Management of Vecima Networks Inc. is responsible for the preparation, objectivity and integrity of the information contained in these financial statements and other sections of this annual report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, consistently applied. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee which is composed of independent directors. This committee, which reports to the Board of Directors, meets with the independent auditors and reviews the consolidated financial statements.

Deloitte LLP, the Company's auditors, have examined these consolidated statements and their report follows.

"Sumit Kumar"

Sumit Kumar
Chief Executive Officer

"John Hanna"

John Hanna
Chief Financial Officer

Deloitte.

Deloitte LLP
Suite 400
122 - 1st Avenue
Saskatoon SK S7K 7E5
Canada

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Independent Auditor's Report

To the Shareholders of
Vecima Networks Inc.:

We have audited the accompanying consolidated financial statements of Vecima Networks Inc., which comprise the consolidated statements of financial position as at June 30, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vecima Networks Inc. as at June 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants,
Licensed Professional Accountants
September 26, 2018

VECIMA NETWORKS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)

	Notes	June 30, 2018	June 30, 2017
Assets			
Current assets			
Cash and cash equivalents	6	$ 11,034	$ 3,517
Short-term investments	7, 31	46,660	85,675
Accounts receivable	8	17,997	12,972
Income tax receivable		2,519	2,011
Inventories	9	15,020	13,928
Assets held for sale	4	-	641
Prepaid expenses		1,658	1,258
		94,888	120,002
Non-current assets			
Property, plant and equipment	11	12,105	11,109
Goodwill	12	14,903	6,111
Intangible assets	13	62,324	32,566
Other long-term assets		788	-
Investment tax credits	25	22,692	20,141
Deferred tax asset	24	2,339	4,066
		$ 210,039	$ 193,995
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	$ 12,151	$ 6,377
Provisions	16	520	692
Income tax payable		358	-
Deferred revenue		4,206	2,226
Current portion of long-term debt	18	250	250
		17,485	9,545
Non-current liabilities			
Deferred revenue		524	-
Provisions	16	352	-
Deferred tax liability	24	414	-
Long-term debt	18	1,979	2,208
		20,754	11,753
Shareholders' equity			
Share capital	19	1,756	803
Reserves		4,041	3,965
Retained earnings		182,411	177,474
Accumulated other comprehensive income		1,077	-
		189,285	182,242
		$ 210,039	$ 193,995

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

The financial statements were approved by the Board of Directors and authorized for issue on September 25, 2018 and were signed on its behalf by:

(signed) Kent Elliott — *Director*

(signed) Ben Colabrese — *Director*

VECIMA NETWORKS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars except net income and per share data)

	Notes		Years ended June 30, 2018		2017
Sales	28	$	78,104	$	71,460
Cost of sales			36,254		34,439
Gross profit			41,850		37,021
Operating expenses					
Research and development			15,101		11,749
Sales and marketing			10,463		5,285
General and administrative			13,248		9,875
Impairment of intangible assets	13		22		174
Restructuring costs	20		-		986
Stock-based compensation	19		80		321
Other (income) expense	21		(317)		(276)
			38,597		28,114
Operating income			3,253		8,907
Finance income	22		1,132		1,134
Foreign exchange gain			930		795
Income before income taxes			5,315		10,836
Income tax expense	24		1,532		3,045
Net income from continuing operations			3,783		7,791
Net income from discontinued operations	4		7,019		10,257
Net income			10,802		18,048
Other comprehensive income					
Items that may be subsequently reclassed to net income					
Exchange differences on translating foreign operations			1,077		-
Comprehensive income		$	11,879	$	18,048
Net income per share					
Continuing operations			0.17		0.35
Discontinued operations			0.31		0.46
Total basic net income per share	19	$	0.48	$	0.81
Continuing operations			0.17		0.35
Discontinued operations			0.31		0.46
Total diluted net income per share	19	$	0.48	$	0.80
Weighted average number of common shares					
Shares outstanding - basic	19		22,414,944		22,385,574
Shares outstanding - diluted	19		22,456,821		22,434,282

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)

	Share Capital	Reserves	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as at June 30, 2016	$ 739	$ 3,662	$ 164,642	$ -	$ 169,043
Net income and comprehensive income	-	-	18,048	-	18,048
Dividends	-	-	(4,924)	-	(4,924)
Shares repurchased and cancelled	(1)	-	(292)	-	(293)
Shares issued by exercising options	65	(18)	-	-	47
Share-based payment expense	-	321	-	-	321
Balance as at June 30, 2017	**803**	**3,965**	**177,474**	**-**	**182,242**
Net income	-	-	10,802	-	10,802
Other comprehensive income	-	-	-	1,077	1,077
Dividends	-	-	(4,932)	-	(4,932)
Shares repurchased and cancelled	(8)	-	(933)	-	(941)
Shares issued by exercising options	13	(4)	-	-	9
Shares issued in exchange for short-term investments	948	-	-	-	948
Share-based payment expense	-	80	-	-	80
Balance as at June 30, 2018	**$ 1,756**	**$ 4,041**	**$ 182,411**	**$ 1,077**	**$ 189,285**

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)

	Notes	Years ended June 30, 2018	Years ended June 30, 2017
Cash flows from operating activities			
Net income from continuing operations		$ **3,783**	$ 7,791
Adjustments to reconcile net income to cash from operating activities	**26**	**9,574**	8,966
Decrease in provisions		**(214)**	(235)
Decrease in other long-term assets		**(13)**	-
(Increase) decrease in investment tax credit		**(238)**	57
Net change in non-cash working capital relating to operations	**27**	**7,506**	(2,888)
Interest paid		**(92)**	(85)
Interest received		**1,174**	1,109
Income tax received		**-**	11
Income tax paid		**(503)**	(26)
Net cash provided by continuing operations		**20,977**	14,700
Net cash provided (used) by discontinued operations		**63**	(714)
Net cash provided by operations		**21,040**	13,986
Cash flows used in investing activities			
Purchase of property, plant and equipment	**11**	**(1,816)**	(1,607)
Proceeds from the sale of property, plant and equipment		**80**	71
Purchase of short-term investments		**(54,434)**	(39,115)
Proceeds on sale of short-term investments		**93,449**	5,312
Deferred development costs	**13**	**(16,407)**	(12,950)
Purchase of indefinite and finite-life intangible assets	**13**	**(134)**	(232)
Business acquisition	**5**	**(37,379)**	-
Net cash used by continuing operations		**(16,641)**	(48,521)
Net cash provided by discontinued operations		**8,732**	19,586
Net cash used in investing		**(7,909)**	(28,935)
Cash flows used in financing activities			
Proceeds from shares issued through exercised options	**19**	**9**	47
Proceeds from issuing shares	**19**	**948**	-
Proceeds from government grants	**14**	**49**	367
Repurchase and cancellation of shares		**(941)**	(293)
Dividends paid		**(4,932)**	(4,924)
Repayment of long-term debt		**(229)**	(250)
Net cash used by continuing operations		**(5,096)**	(5,053)
Net cash provided by discontinued operations		**-**	1,297
Net cash used by financing		**(5,096)**	(3,756)
Increase (decrease) in cash and cash equivalents during the year		**8,035**	(18,705)
Effect of movements in exchange rates on cash held		**(518)**	-
Cash and cash equivalents, beginning of year		**3,517**	22,222
Cash and cash equivalents, end of year	**6**	$ **11,034**	$ 3,517

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

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1. NATURE OF OPERATIONS

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 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 also provides fleet managers the key information and analytics they require to optimally manage their business. The Company's Discontinued Operations represented the YourLink business which provided cable television and internet services in British Columbia and Saskatchewan. YourLink was sold in the prior year.

2. BASIS OF PRESENTATION

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as set out in the CPA Canada Handbook.

These audited consolidated financial statements were prepared under the historical cost convention, except for certain items not carried at historical costs as discussed in the applicable accounting policies.

These audited consolidated financial statements are based on IFRS issued and outstanding as of June 30, 2018. The Company's Board of Directors authorized the statements for issue and approved the policies the Company adopted in its consolidated financial statements for the year ending June 30, 2018 on September 25, 2018.

The consolidated financial statements have been prepared in accordance with IFRS and include the following measurement bases and significant accounting policies:

Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Vecima Networks (USA) Inc., Vecima Telecom India Private Ltd., 6105971 Canada Inc., Concurrent Technology Inc., Concurrent Technology (Canada) Inc., Concurrent Content Solutions Corporation, Concurrent Technology (UK) Ltd., Concurrent Technology GmbH, and Concurrent Technology B.V.

(b) 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.

2. BASIS OF PRESENTATION continued

(c) Revenue Recognition

The Company earns revenue from the sale of goods and the rendering of services. Revenue is measured at the fair value of the consideration received or receivable for these goods supplied and services rendered net of taxes, freight, rebate, estimated returns or trade discounts. When a sale consists of multiple components where delivery is over different periods of time, the Company separates the arrangement into its component accounting units. The consideration of the arrangement is allocated to the separate identifiable components based on the relative fair value of each component. The appropriate revenue recognition policy, outlined below, is applied to each component.

Revenue from product sales

Revenue from the sale of goods is recognized when the following criteria are met:

- the significant risk and rewards of ownership have been transferred;
- the Company has no ongoing involvement or control over the goods;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the cost incurred or to be incurred can be measured reliably.

This typically occurs upon shipment of the goods provided that all contractual obligations have been met.

Revenue from rendering of service

Services are comprised of cable, telematics, telephony and internet services, after-sales support, consulting, construction contracts and rental income. Service revenue is recognized as revenue when the following criteria have been met:

- the amount of revenue can be measured reliably;
- it is probable that economic benefits associated with the transaction will flow to the Company;
- the stage of completion can be measured reliably; and
- the related costs can be measured reliably.

Service revenues from cable, telematics, telephony, and internet are recognized in the period the customer receives the service. Subscriber connection fees received from the customers are deferred and amortized on a straight-line basis over the estimated average customer contract life. The cost of connecting a customer is capitalized and amortized over the same period. After sales support is deferred and recognized over the period during which the the service is performed on a straight-line basis. Revenue received in advance of the product being delivered or service being provided is recognized as deferred revenue.

Rental income

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

(d) 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.

2. BASIS OF PRESENTATION continued

(d) Inventories continued

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.

(e) 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 provided generally on a declining-balance basis over the estimated useful lives 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 value and the useful lives of property, plant and equipment are reviewed annually. Repairs and maintenance expenditures are charged to operating expenses as incurred.

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

(f) 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.

(g) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets are assessed 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 for little to no 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.

2. BASIS OF PRESENTATION continued

(g) Intangible Assets continued

(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.

(h) Research and Development

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

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

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

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

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

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

(i) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. A lease is an arrangement that conveys a right to use an asset for an agreed period of time in return for a payment or a series of payments. A finance lease transfers substantially all the risks and benefits of ownership from the lessor to the lessee. All other leases are operating leases.

Leases that transfer all the risks and rewards of ownership to the Company are recorded as finance leases. The leased asset is recognized at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments, plus any initial direct costs of the lessee, if any. A corresponding amount is recognized as a finance lease liability. The capitalized value of the leased asset is amortized on a declining basis over its estimated useful life. The finance lease liability is reduced by rental payments net of imputed interest, which is charged against income.

Operating lease payments are recognized as an expense over the lease term.

2. BASIS OF PRESENTATION continued

(j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective 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 that borrowing 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 expenditures on that asset.

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

(k) 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 to sell 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 assessed 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 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 to sell.

2. BASIS OF PRESENTATION continued

(l) 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 application of the 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 statement of financial position is more consistent with the liability method of accounting for income taxes.

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

(m) Foreign Currency Transactions

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

Transactions 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.

(n) 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 dates. The revenue and expenses of foreign operations are translated to Canadian dollars at exchange rates at the date of the transactions.

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.

2. BASIS OF PRESENTATION continued

(o) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

The Company’s financial assets include cash and cash equivalents, accounts receivable and short-term investments. Cash and cash equivalents and accounts receivable are measured at amortized cost. The carrying amount in the consolidated statement of financial position is at historical cost which approximates the fair value due to the short maturity of these instruments. Short-term investments are recorded at fair value with gains and losses being recognized in profit or loss and the carrying value in the consolidated statement of financial position is at fair value.

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. The Company’s policy is not to utilize financial instruments for trading or speculative purposes. Derivative financial instruments are held for trading and are recognized on the consolidated statement of financial position at their fair value, with changes in fair value recognized in net income in foreign exchange gain (loss).

The Company's financial liabilities are comprised of accounts payable and accrued liabilities and long-term debt. These financial liabilities are carried at amortized cost.

Financial assets and financial liabilities are recognized initially at fair value, normally being the transaction price plus directly attributable transaction costs. Transaction costs related to financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in income. Regular purchases and sales of financial assets are accounted for on the trade date.

Financial assets carried at amortized cost are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset is impaired. Individually significant receivables are considered impaired when they are past due and there is objective evidence that the counterparty may default. The receivables that are not individually significant are reviewed for impairment in groups, based on historical rates. The impaired amount is recorded through the allowance for doubtful accounts into sales and marketing expense.

(p) Fair Value of Financial Instruments

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

The fair value of long-term debt with fixed rates of interest is estimated using discounted cash flows based on current rates of interest for similar lending arrangements. The fair values of derivatives are based on values quoted by the counterparties to the agreements. The fair value of short-term financial assets and liabilities approximate their respective carrying values due to the short term nature of these financial instruments.

2. BASIS OF PRESENTATION continued

(q) 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. Because new products incorporating complex technologies are continuously introduced, changes in these estimates could result in additional allowances or changes to recorded allowances in future periods.

(r) Stock-Based Compensation

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

(s) 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.

(t) Discontinued Operations and Assets Held for Sale

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the Company and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal by sale, closure or abandonment or when the operation meets the criteria to be held-for-sale, if earlier.

2. BASIS OF PRESENTATION continued

(t) Discontinued Operations and Assets Held for Sale continued

With the classification of YourLink as a discontinued operation, the comparative statement of comprehensive income has been reclassified as if the operation had been discontinued from the start of the comparative year.

Assets held for sale are measured at the lower of the carrying amount and fair value less cost to sell.

Accounting Standards Issued But Not Yet Applied:

Amendments to IFRS 2 – Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2 *Share-Based Payment*. The amendments were issued to provide clarification on the classification and measurement of share-based transactions. The standard is effective for periods beginning on or after January 1, 2018 with earlier application permitted. The Company has completed a preliminary review of the standard to determine the potential impact on its consolidated financial statements, and does not expect any material impacts.

IFRS 9 - Financial Instruments

In November 2009, the IASB issued guidance relating to the classification and measurement for financial assets followed by requirements for financial liabilities and derecognition which were added in 2010. IFRS 9 was amended in 2013 to add new general hedge accounting requirements. The standard must be applied retrospectively and is effective for annual periods beginning after January 1, 2018, with earlier application permitted. The Company has completed a preliminary review of the standard to determine the potential impact on its consolidated financial statements, and does not expect any material impacts.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* was issued by the IASB in May 2014 and amended in September 2015 and April 2016 for application beginning on or after January 1, 2018. This standard supersedes current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and provides guidance relating to the costs of obtaining and fulfilling a contract.

The application of IFRS 15 will impact the Company’s reported results, including the classification and timing of revenue recognition since the allocation of consideration between multiple element arrangements including software, equipment and services are performed at different points in time and over different periods of time. In addition, IFRS 15 requires the incremental cost to obtain a contract with a customer be capitalized and amortized over the contract term. The Company has completed a review of all customer contracts and expects the impact will not be material.

The Company’s statement of financial position will be impacted as contract assets and contract liabilities will be recognized to reflect the timing difference between the Company’s completion of performance obligations and the customer payments. While similar differences are recognized currently, the application of IFRS 15 requires additional disclosure specific to contracts with customers. The Company’s cash flows and underlying economics through which we transact with our customers will not be affected.

2. BASIS OF PRESENTATION continued

Accounting Standards Issued But Not Yet Applied: continued

The Company will adopt IFRS 15 for the fiscal period beginning July 1, 2018. The Company plans to transition to the standard using the modified retrospective approach, which means that the cumulative impact of the adoption will be recognized in retained earnings as of July 1, 2018 and that comparative information will not be restated.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16 eliminates the current dual model for leases, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The standard is effective for periods beginning on or after January 1, 2019 with earlier application permitted. The extent of the impact of the adoption of IFRS 16 has not yet been determined.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances where there is uncertainty over income tax treatments. The standard is effective for periods beginning on or after January 1, 2019 with earlier application permitted. The Company is currently reviewing the standard to determine the potential impact on its consolidated financial statements.

3. USE OF JUDGMENT AND ESTIMATES

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

(a) Use of Judgment

Functional Currency

The Company assessed the primary economic environment in which Vecima Networks Inc., Vecima Networks (USA) Inc., and Vecima Telecom India Private Ltd. operate by considering factors such as the currency for which sales of goods and services are denominated and settled, the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labour, material and other costs of providing goods and services. Sales are primarily transacted in U.S. dollars ("USD"). The cost of material 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. Because of the mix of indicators for its primary economic environment, the Company assessed the secondary indicators of finance activities and receipts from operations. Equity and debt financing activities are both denominated in Canadian dollars and receipts from operations are retained primarily in Canadian dollars. Based on all the factors, the Company determined that the functional currency for the entities listed above should be Canadian dollars.

3. USE OF JUDGMENT AND ESTIMATES continued

The Company assessed the primary economic environment in which Concurrent Technology Inc. operates by considering factors such as the currency for which sales of goods and services are denominated and settled, the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labour, material and other costs of providing goods and services. Sales are primarily transacted in U.S. dollars. The cost of material is denominated in U.S. dollars ("USD"). The labour cost is denominated fully in U.S. dollars. Equity and debt financing activities are both denominated in U.S.dollars and receipts from operations are retained primarily in U.S. dollars. Based on all the factors, the Company determined that the functional currency for Concurrent Technology Inc. to be in U.S. dollars.

The Company assessed the primary economic environment in which Concurrent Content Solutions Corporation operates by considering factors such as the currency for which sales of goods and services are denominated and settled, the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labour, material and other costs of providing goods and services. Sales are primarily transacted in Japanese Yen. The cost of material is denominated in Japanese Yen, however certain purchases of inventory are made in U.S dollars. The labour cost is denominated fully in Japanese Yen. Equity and Intercompany financing activities are denominated in both Japanese Yen and U.S. dollars and receipts from operations are retained in Japanese Yen. Based on all the factors, the Company determined that the functional currency for the Concurrent Content Solutions Corporation to be in Japanese Yen.

(b) Use of Estimates

Impairment of Non-Financial Assets

Impairment exists when the carrying value of a tangible asset, intangible asset or cash-generating unit, including goodwill, exceeds its recoverable amount, which is the higher of its fair value less cost to sell 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.

Stock-Based Compensation

The Company measures the cost of stock-based compensation transactions with reference to the fair value of the options issued at the date they were granted. Estimated fair value for stock-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option and the volatility. The assumptions and models used for estimating fair value for stock based compensation are disclosed in Note 19.

Taxes

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

3. USE OF JUDGMENT AND ESTIMATES continued

Deferred Development Costs

Development costs are capitalized in accordance with the accounting policy in Note 2. Capitalization of costs is initiated based on management's judgment that technological and economical 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 period of benefits.

Deferred Revenue

Deferred revenue consists of service contracts and upfront customer activation and connection fees where billings are recorded and received prior to rendering of the associated service. 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.

Allocation of Purchase Consideration to Acquired Assets and Assumed Liabilities

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

Other Areas

Other key areas of estimation where management is required to make difficult, complex or subjective estimates, often as a result of matters that are inherently uncertain, are the allowance for doubtful accounts, allowance for inventory obsolescence, the capitalization of overhead, useful lives of property, plant and equipment, useful lives of intangible assets, valuation of goodwill, revenue recognition, provisions, investment tax credits, contingent liabilities and the fair value of financial assets.

4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On January 9, 2017, the Company announced it entered into an agreement to sell the telecommunication assets of its YourLink business in Saskatchewan for total consideration of $28,730. The sale consisted of two separate transactions. The sale transaction of operating assets closed on January 12, 2017 for consideration of $20,000. The second transaction for consideration of $8,730 closed on July 13, 2017. Assets connected with the second sale transaction of $641 were classified as held for sale as at June 30, 2017.

On September 30, 2016 the Company completed the sale of cable and telecommunication assets of its YourLink business in British Columbia for consideration of $1,422.

Financial results attributable to the YourLink business have been presented as discontinued operations. The non-current assets that were held for sale were recorded at the lower of the carrying amount or the fair market value less costs to sell. No impairment loss was recorded on assets held for sale.

(in thousands of Canadian dollars except as otherwise noted)

4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS continued

The results of the discontinued operations for the years ended June 30 are as follows:

		2018		2017
Operating revenues	**$**	**-**	$	5,875
Operating expenses		**(9)**		(5,575)
Other income (expense) and finance income (costs)		**14**		(24)
Income from discontinued operations before income taxes and gain on sale of assets		**5**		276
Income tax expense		**(1)**		(70)
Income from discontinued operations before gain on sale of assets		**4**		206
Gain on sale of assets		**8,109**		11,199
Income tax expense on gain on sale of assets		**(1,094)**		(1,148)
Net income from discontinued operations	**$**	**7,019**	$	10,257

5. BUSINESS COMBINATION

On December 31, 2017, the Company completed an acquisition of substantially all of the operating assets of Concurrent Computer Corporation ("Concurrent"), a software and solutions company that develops advanced applications focused on storing, protecting, transforming, and delivering visual media.

The transaction, valued at $37,512 (US$29,812), including a post-closing net working capital adjustment, was financed through the Company's cash and short-term investment reserves.

The acquisition was accounted for using the purchase method. As part of the Company's process for determining the fair value of the net assets acquired, the Company engaged third-party valuation specialists.

(in thousands of Canadian dollars except as otherwise noted)

5. BUSINESS COMBINATION continued

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

Consideration paid		
Purchase price	$	36,490
Working capital adjustments		1,022
		37,512
Net assets acquired		
Cash and cash equivalents		133
Accounts receivable		8,572
Inventories		2,552
Prepaid expenses and other current assets		668
Property, plant and equipment		1,695
Other long-term assets		768
Intangible assets		21,517
Goodwill		8,420
Accounts payable and accrued liabilities		(3,950)
Deferred revenue		(2,502)
Provisions		(254)
Deferred tax liability		(107)
	$	**37,512**

Uncollectible amounts of acquired receivables is estimated to be immaterial..

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

Sales and net income for the year ended June 30, 2018 attributable to the acquisition of Concurrent are $22,477 and $1,305, respectively.

Had the business combination been effective July 1, 2017, the consolidated sales of the Company would have been $91,715 and the net income would have been $11,365. Management considers these "pro-forma" numbers to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. In determining these amounts, management has assumed that the fair value adjustments, determined on a preliminary basis, that arose on the acquisition date would have been the same, in all material respects, if the acquisition had occurred on July 1, 2017.

(in thousands of Canadian dollars except as otherwise noted)

6. CASH AND CASH EQUIVALENTS

		June 30, 2018		June 30, 2017
Cash	$	**8,071**	$	1,464
Cash equivalents		**2,963**		2,053
	$	**11,034**	$	3,517

The Company maintains an authorized line of credit of $14,000 (June 30, 2017 - $14,000) of which $nil was drawn on June 30, 2018 (June 30, 2017 - $nil). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 70% of accounts receivable and 40% of inventory (to a maximum of $7,000). Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at June 30, 2018 was 3.45% (June 30, 2017 - 2.70%).

7. SHORT-TERM INVESTMENTS

Short-term investments are measured at fair value and changes are reported through the statement of comprehensive income. The fair value of the short-term investments were equal to their carrying value for the year ended June 30, 2018. Short-term investments consist of guaranteed investment certificates and marketable equity securities.

8. ACCOUNTS RECEIVABLE

		June 30, 2018		June 30, 2017
Trade receivables	$	**17,719**	$	12,681
Less allowance for doubtful accounts		**(8)**		(35)
		17,711		12,646
Goods and services tax		**271**		116
Government grants receivable		**1**		40
Other receivables		**14**		170
	$	**17,997**	$	12,972

All amounts 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.

Included in trade receivables is the allowance for doubtful accounts used to record the impairment of accounts receivables prior to being written off.

Allowance for Doubtful Accounts		
Opening allowance for doubtful accounts, July 1, 2016	$	47
Charge		111
Write-offs		(102)
Reverse allowance		(21)
Balance, June 30, 2017		35
Charge		**6**
Write-offs		**(5)**
Reverse allowance		**(28)**
Balance, June 30, 2018	**$**	**8**

(in thousands of Canadian dollars except as otherwise noted)

9. INVENTORIES

		June 30, 2018		June 30, 2017
Raw materials	**$**	**6,707**	$	4,515
Work in progress		**799**		1,324
Finished goods		**7,514**		8,089
	$	**15,020**	$	13,928

During the year ended June 30, 2018, inventories of $30,151 (year ended June 30, 2017 - $34,042) were expensed through cost of sales. Write-downs of inventory for the year ended June 30, 2018 included in cost of sales were $494 (year ended June 30, 2017 - $544). Write-downs of inventory for the year ended June 30, 2018 included in sales and marketing were $1,008 (June 30, 2017 - $846). Reversals of write-downs were $75 during the year ended June 30, 2018 ($nil for the year ended June 30, 2017). The carrying amount of inventory recorded at net realizable value was $1,107 at June 30, 2018 (June 30, 2017 - $822) with the remaining inventory recorded at cost.

10. DERIVATIVE FINANCIAL INSTRUMENTS TO MANAGE FOREIGN EXCHANGE RISK

Changes in fair value of derivative financial instruments are included in foreign exchange gain in the current year. As at June 30, 2018, the Company has an unrealized net gain of $nil (June 30, 2017 - $16) on outstanding forward purchase contracts.

Derivative financial instruments are included in accounts receivable (June 30, 2017 - accounts receivable) in the consolidated statement of financial position.

(in thousands of Canadian dollars except as otherwise noted)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & buildings	Lab, operating & production equipment	Other equipment[(1)]	Total
Cost					
At July 1, 2016	$ 785	$ 8,915	$ 32,567	$ 13,442	$ 55,709
Additions	6	153	2,974	170	3,303
Government grant (Note 14)	-	-	(922)	-	(922)
Disposals	(170)	(522)	(16,146)	(3,254)	(20,092)
Assets held for sale (Note 4)	-	-	(443)	-	(443)
At June 30, 2017	621	8,546	18,030	10,358	37,555
Additions	-	118	1,380	318	1,816
Business acquisition (Note 5)	-	43	1,425	227	1,695
Disposals	-	-	(895)	(20)	(915)
Effect of foreign exchange	-	3	72	9	84
At June 30, 2018	**$ 621**	**$ 8,710**	**$ 20,012**	**$ 10,892**	**$ 40,235**
Accumulated depreciation and impairment					
At July 1, 2016	$ -	$ 2,578	$ 21,547	$ 11,370	$ 35,495
Depreciation charge for the year	-	284	1,537	381	2,202
Disposals	-	(137)	(8,864)	(2,146)	(11,147)
Assets held for sale (Note 4)	-	-	(104)	-	(104)
At June 30, 2017	-	2,725	14,116	9,605	26,446
Depreciation charge for the year	-	299	1,692	415	2,406
Disposals	-	-	(726)	(14)	(740)
Effect of foreign exchange	-	1	15	2	18
At June 30, 2018	$ -	**$ 3,025**	**$ 15,097**	**$ 10,008**	**$ 28,130**
Carrying amount					
At June 30, 2017	$ 621	$ 5,821	$ 3,914	$ 753	$ 11,109
At June 30, 2018	**$ 621**	**$ 5,685**	**$ 4,915**	**$ 884**	**$ 12,105**

The following estimated useful lives have been applied to property, plant and equipment assets at June 30, 2018 and June 30, 2017:

	2018	2017
Land improvements and buildings	5 to 40 years	40 years
Lab, operating and production equipment	3 to 7 years	7 to 30 years
Other equipment[(1)]	1 to 5 years	1 to 30 years

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

(in thousands of Canadian dollars except as otherwise noted)

11. PROPERTY, PLANT AND EQUIPMENT continued

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

	Years ended June 30,			
		2018		2017
Cost of sales	**$**	**582**	$	519
Research and development		**627**		322
Sales and marketing		**236**		-
General and administrative		**961**		816
Depreciation from continuing operations		**2,406**		1,657
Depreciation from discontinued operations		**-**		545
	$	**2,406**	$	2,202

There were no impairment losses recorded during the years ended June 30, 2018 or 2017.

Land and land improvements & buildings includes property, plant and equipment assessed to be investment properties in accordance with IAS 40. This property, plant and equipment had a fair value exceeding its gross carrying amount. Investment property included in land had a gross carrying amount of $301 and accumulated depreciation of $0 as at June 30, 2018. Investment property included in land improvements & buildings had a gross carrying amount of $431 and accumulated depreciation of $156 as at June 30, 2018. The fair value of these investment properties at June 30, 2018 was $1,060. The fair value was determined using the expertise of an independent local real estate agent not related to the Company. The independent real estate agent has professional qualifications and experience in the location and category of investment property being valued. or the year ended June 30, 2018, income earned on investment properties was $144 with direct expenses of $59.

12. GOODWILL

At July 1, 2016	$	6,210
Disposals		(99)
At June 30, 2017		6,111
Business acquisition (Note 5)		8,420
Effect of foreign exchange		372
At June 30, 2018	**$**	**14,903**

Goodwill includes $3,337 attributable to brand.

12. GOODWILL continued

Impairment Testing of Goodwill

At the end of the reporting period for the purposes of impairment testing indefinite-life intangible assets and goodwill are allocated to cash generating units (CGU's) which represent the lowest level at which indefinite-life intangible assets are monitored for internal management purposes. The Company's recorded goodwill has a carrying value which consists of $6,111 relating to the Telematics segment and $8,792 relating to the Content Delivery and Storage segment. The recoverable amount of the segment and the associated CGU's are based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering the next fiscal year, extrapolated based on projected growth and achieving key operating objectives for a period of less than five years. There is a material degree of uncertainty with respect to the estimates of the recoverable amount of the cash generating units' assets given the necessity of making key economic assumptions about the future.

The value in use calculation uses discounted cash flow projections which employ the following key assumptions: future cash flows and growth projections, including economic risk assumptions and estimates of achieving key operating metrics and drivers; and the weighted average cost of capital. The projected cash flows have been prepared based on management's past experience and expected demand and cost for the products. The pre-tax discount rate applied to cash flow projections reflect the current market assessment of risk and was based on an estimate of weighted average cost of capital taking into account assessments by third party experts. Cash flows beyond the five-year period are extrapolated using a 3% growth rate. As a result of this analysis, management has not identified any impairment for the Company's CGU's.

(in thousands of Canadian dollars except as otherwise noted)

13. INTANGIBLE ASSETS

	Indefinite-life Intangible Assets	Finite-life Intangible Assets				
	Trademarks and Other Licenses	**Customer Contracts and Relationships**	**Patents**	**Intellectual Property and Technology**	**Deferred Development Costs**	**Total**
Cost						
At July 1, 2016	$ 431	$ 5,071	$ 371	$ 3,127	$ 25,027	$34,027
Additions	2	-	67	163	12,950	13,182
Government grant (Note 14)	-	-	-	-	(289)	(289)
Investment tax credits	-	-	-	-	(1,774)	(1,774)
Writedown, fully amortized	-	-	-	-	(510)	(510)
Disposals	(71)	(162)	-	-	-	(233)
Assets held for sale	(302)	-	-	-	-	(302)
Impairment losses	-	-	-	-	(178)	(178)
At June 30, 2017	60	4,909	438	3,290	35,226	43,923
Additions	-	-	108	26	16,407	16,541
Business acquisition (Note 5)	44	14,961	120	6,392	-	21,517
Government grant (Note 14)	-	-	-	-	(49)	(49)
Investment tax credits	-	-	-	-	(2,655)	(2,655)
Writedown, fully amortized	-	-	(27)	-	(2,592)	(2,619)
Effect of foreign exchange	2	658	9	282	37	988
At June 30, 2018	**$ 106**	**$ 20,528**	**$ 648**	**$ 9,990**	**$ 46,374**	**$77,646**
Amortization and impairment						
At July 1, 2016	$ -	$ 224	$ 277	$ 355	$ 6,447	$ 7,303
Amortization recognized	-	575	62	407	3,686	4,730
Writedown, fully amortized	-	-	-	-	(510)	(510)
Disposals	-	(162)	-	-	-	(162)
Impairment losses	-	-	-	-	(4)	(4)
At June 30, 2017	-	637	339	762	9,619	11,357
Amortization recognized	-	1,377	54	863	4,227	6,521
Writedown, fully amortized	-	-	(27)	-	(2,592)	(2,619)
Impairment losses	-	-	-	-	22	22
Effect of foreign exchange	-	25	-	14	2	41
At June 30, 2018	**$ -**	**$ 2,039**	**$ 366**	**$ 1,639**	**$ 11,278**	**$15,322**
Net book value						
At June 30, 2017	$ 60	$ 4,272	$ 99	$ 2,528	$ 25,607	$32,566
At June 30, 2018	**$ 106**	**$ 18,489**	**$ 282**	**$ 8,351**	**$ 35,096**	**$62,324**

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

(in thousands of Canadian dollars except as otherwise noted)

13. INTANGIBLE ASSETS continued

The aggregate amount of research and development expenditure during the year ending June 30, 2018 was $27,469 (2017 - $21,066).

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

There were impairment losses of $22 (2017 - $174) on deferred development costs recorded during the year ended June 30, 2018.

14. GOVERNMENT GRANTS

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

In October 2015, April and December 2016, the Company entered into non-repayable contribution agreements with the National Research Council Canada as represented by its Industrial Research Assistance Program ("IRAP") for total funding of $809 to finance research and development projects. During the year ending June 30, 2018, the Company recognized $49 (June 30, 2017 - $407) in non-repayable government assistance relating to IRAP. $49 (June 30, 2017 - $289) was recorded as a reduction to intangible assets and $nil (June 30, 2017 - $118) was recorded as a reduction to research and development expenses. At June 30, 2018, the Company had accounts receivable relating to IRAP of $nil (June 30, 2017 - $40).

The Company also recognized government assistance from Industry Canada's Connecting Canadians Program ("DC150"). During the year ending June 30, 2018, the Company did not recognize any non-repayable government assistance relating to this grant (June 30, 2017 - $922). The amounts received from this grant were recognized as a reduction to property, plant and equipment. At June 30, 2018, the Company had no accounts receivable relating to DC150 (June 30, 2017 - $nil). The future rights, obligations and benefits of the grant were transferred as part of the sale agreement of the YourLink business in Saskatchewan.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2018	June 30, 2017
Accounts payable	**$ 4,684**	$ 1,977
Accrued liabilities	**7,467**	4,400
	$ 12,151	$ 6,377

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.

(in thousands of Canadian dollars except as otherwise noted)

16. PROVISIONS

	Warranty	Asset Retirement Obligation	Restructuring Costs	Other	Total
At July 1, 2016	$ 507	$ 1,167	$ -	$ 420	$ 2,094
Additions during the year	428	(131)	155	108	560
Amounts utilized	(540)	-	-	(373)	(913)
Disposals	-	(1,054)	-	-	(1,054)
Unused amounts reversed	-	-	-	(13)	(13)
Unwinding of discount and imputed interest	-	18	-	-	18
At June 30, 2017	$ 395	$ -	155	$ 142	$ 692
Additions during the year	386	-	-	200	586
Amounts utilized	(510)	-	(155)	(138)	(803)
Unused amounts reversed	-	-	-	(4)	(4)
Business acquisition	127	-	-	254	381
Effect of foreign exchange	6	-	-	14	20
At June 30, 2018	**$ 404**	**$ -**	**$ -**	**$ 468**	**$ 872**
Less current provision	**404**	**-**	-	**116**	**520**
Long-term provision	**$ -**	**$ -**	$ -	**$ 352**	**$ 352**

Warranty provision is based on the Company's prior years' experience which may not occur on a go forward basis.

17. CONTINGENT LIABILITY

In January 2017, the Company received a re-assessment from the Canada Revenue Agency ("CRA") regarding the tax treatment of gains on the sale of radio spectrum licenses in 2012 to 2014. The CRA has re-assessed the gains on the sale of these spectrum licenses as active business income, which would result in additional income taxes, interest and penalties payable of approximately $4.1 million. The Company and its advisors have reviewed the applicable tax law and believe the original treatment of these gains was appropriate. The Company was required to pay $2.0 million towards this re-assessment in Q3 fiscal 2017. The Company filed a Notice of Objection in Q3 fiscal 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements.

In March 2017, the Company received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on its 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of $1,289. The Company and its advisors have reviewed the applicable tax law and believe its original treatment of these SR&ED claims was appropriate. The Company filed a Notice of Objection in Q4 fiscal 2017 in regards to this matter. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements.

18. LONG-TERM DEBT

		June 30, 2018		June 30, 2017
Term credit facility	**$**	**2,229**	$	2,458
Less current portion		**(250)**		(250)
	$	**1,979**	$	2,208

The term credit facility is from a Canadian chartered bank, repayable in monthly installments of $21 principal and interest at prime, (3.45% at June 30, 2018), expires in October 2019 and is collateralized by a general security agreement. The Company has an authorized loan amount of $3,792.

Long-term debt is recorded at amortized cost. The Company's long-term debt is at an interest rate that floats based on prime and the carrying value of the principal is considered to be fair value.

Future principal payments for the fiscal years ending are as follows assuming that the existing payment terms are the same as renewal:

2019	$	250
2020		250
2021		250
2022		250
2023		250
Remaining		979
	$	2,229

19. SHARE CAPITAL

(in thousands of Canadian dollars except common share data)

(a) Share capital

The Company has the following authorized share capital: 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 at July 1, 2016	22,402,709	$	739
Shares issued by exercising options	11,442		65
Shares repurchased and cancelled	(34,500)		(1)
Balance at June 30, 2017	22,379,651		803
Shares issued by exercising options	3,009		13
Shares issued in exchange for short-term investments	96,443		948
Shares repurchased and cancelled	(101,815)		(8)
Balance at June 30, 2018	**22,377,288**	**$**	**1,756**

(in thousands of Canadian dollars except as otherwise noted)

19. SHARE CAPITAL continued

(a) Share capital continued

The Company issued 3,009 shares through the exercise of options during the year ended June 30, 2018 (June 30, 2017 - 11,442).

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, which will be determined by the Board of Directors at the time of issue (none issued).

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

	Years ended June 30, 2018	2017
Net income: basic and diluted	**$ 10,802**	$ 18,048
Weighted average number of shares outstanding:		
Basic	**22,414,944**	22,385,574
Dilutive stock options	**41,877**	48,708
Diluted	**22,456,821**	22,434,282
Net income per share: basic	**$ 0.48**	$ 0.81
Net income per share: diluted	**$ 0.48**	$ 0.80

Stock options could potentially dilute basic net income per share in the future. Options to purchase 518,491 common shares were vested and outstanding at June 30, 2018 (June 30, 2017 - 420,887). Dilutive stock options are calculated using the treasury stock method.

(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.

(in thousands of Canadian dollars except as otherwise noted)

19. SHARE CAPITAL continued

(c) Stock option plan continued

The changes in options and the number of options outstanding for the years ended June 30, 2018 and 2017 are as follows:

	Number of options	Weighted average exercise price
Outstanding, July 1, 2016	456,892	$ 8.49
Granted	23,000	10.46
Cancelled	(9,697)	10.57
Exercised	(11,442)	4.09
Expired and forfeited	(7,052)	4.21
Outstanding, June 30, 2017	451,701	8.78
Granted	78,000	9.45
Canceled	(8,201)	8.70
Exercised	(3,009)	3.12
Outstanding, June 30, 2018	**518,491**	**$ 8.91**
Vested and exercisable	**417,863**	**$ 8.74**

At June 30, 2018, the exercise prices range from $4.45 to $10.91 with the weighted average exercise price being $8.91. The options outstanding at June 30, 2018 have a weighted average contractual life of 3.09 years.

	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$4.45 to $7.00	6,991	0.96	$ 4.53	6,991	$ 4.53
$7.01 to $10.00	449,500	3.02	8.76	371,500	8.62
$10.01 to $10.91	62,000	3.83	10.51	39,372	10.59
	518,491	3.09	$ 8.91	417,863	$ 8.74

(in thousands of Canadian dollars except as otherwise noted)

19. SHARE CAPITAL continued

(d) Stock-based compensation

For all stock options granted, the Company determined compensation expense based on the estimated fair values at the grant date of the stock options using the Black-Scholes and binomial option-pricing models. The estimated fair value of the stock options is amortized to stock-based compensation over the vesting period of the options. The stock-based compensation expense was $80 for the year ended June 30, 2018 (June 30, 2017 - $321).

The weighted average estimated fair value for the common share options granted in the year was $191 (2017 - $67). Management used the following assumptions within the Black-Scholes and binomial option-pricing model:

Weighted average share price	$ 9.45
Expected option life	6.01 years
Risk-free rate of return	2.01 %
Volatility factor	31.27 %
Expected dividends	2.30 %

20. RESTRUCTURING COSTS

During the year ended June 30, 2017, the Company incurred incremental, non-recurring restructuring costs. These costs related to charges to undertake substantial changes to the company's production approach and capabilities and included personnel-related and administrative expenses. The restructuring was completed in the 2017 year and no related costs were incurred in 2018.

21. OTHER (INCOME) EXPENSE

	Years ended June 30,	
	2018	2017
Loss on sale of property, plant and equipment	**$ 95**	$ 63
Lease revenue	**(402)**	(232)
Other	**(10)**	(107)
	$ (317)	$ (276)

(in thousands of Canadian dollars except as otherwise noted)

22. FINANCE INCOME (EXPENSE)

	Years ended June 30, 2018	2017
Interest income	$ 1,174	$ 1,109
Operating line fees	(16)	(15)
Term credit interest	(76)	(70)
Other	50	110
	$ 1,132	$ 1,134

23. ADDITIONAL EXPENSE INFORMATION

Depreciation and amortization included in cost of sales and operating expenses

	Years ended June 30, 2018	2017
Depreciation of property, plant and equipment	$ 2,406	$ 1,657
Amortization of deferred development costs	4,227	3,686
Amortization of finite-life intangible assets	2,294	1,044
	$ 8,927	$ 6,387

Employee benefit expenses included in cost of sales and operating expenses

	Years ended June 30, 2018	2017
Wages and salaries	$ 33,742	$ 28,626
Employee deferred profit sharing plan	1,052	1,036
Health care benefits	1,396	1,203
	$ 36,190	$ 30,865

(in thousands of Canadian dollars except as otherwise noted)

24. 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.

The significant components of the Company's tax assets and liabilities are as follows:

		June 30, 2018		June 30, 2017
Provision for warranties	**$**	**120**	$	138
Non-capital losses		**20**		-
Property, plant and equipment		**1,353**		1,417
Research and development expenditures		**9,523**		8,804
Accrued expenses		**228**		-
Unrealized foreign exchange gains		**(572)**		(115)
Intangible assets		**(8,843)**		(6,179)
Other		**96**		1
Net total deferred tax asset (liability)	**$**	**1,925**	$	4,066
Deferred tax asset	**$**	**2,339**	$	4,066
Deferred tax liability	**$**	**(414)**	$	-

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

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

	Years ended June 30,											
	2018						2017					
		Continuing		**Discontinued**		**Total**		Continuing		Discontinued		Total
Current income taxes	**$**	**(509)**	**$**	**1,095**	**$**	**586**	$	430	$	1,627	**$**	**2,057**
Deferred income taxes		**2,041**		**-**		**2,041**		2,615		(409)		**2,206**
	$	**1,532**	**$**	**1,095**	**$**	**2,627**	$	3,045	$	1,218	**$**	**4,263**

There were no incomes taxes booked to equity in the year (2017 - $nil).

(in thousands of Canadian dollars except as otherwise noted)

24. INCOME TAXES continued

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, 2018	2017
Income before income taxes	**$ 5,315**	$ 10,836
Canadian statutory income tax rate	**25.4 %**	25.5 %
Tax computed at Canadian statutory income tax rate	**1,350**	2,761
Differences in substantively enacted future rates	**(41)**	62
Foreign tax rate differential	**106**	-
Expenses not deductible for tax purposes[1]	**41**	181
Non-taxable portion of unrealized foreign exchange gains	**(85)**	-
Other	**161**	41
Income tax provision	**$ 1,532**	$ 3,045

[1]Expenses not deductible for tax purposes consists primarily of stock-based compensation expense, foreign expenses and meals & entertainment.

25. INVESTMENT TAX CREDIT

During the year ended June 30, 2018, the Company recorded investment tax credits of $2,892 (2017 - $2,116), with a $2,655 (2017 - $1,774) reduction of deferred development costs and $237 (2017 - $342) reduction of research and development expenses. Investment tax credits expire between 2029 and 2038.

26. ADJUSTMENTS TO RECONCILE NET INCOME TO CASH FROM OPERATING ACTIVITIES

	Notes	Years ended June 30, 2018	2017
Loss on sale of property, plant and equipment	**21**	**$ 95**	$ 63
Impairment of intangible assets	**13**	**22**	174
Depreciation of property, plant and equipment	**11**	**2,406**	1,657
Amortization of deferred development costs	**13**	**4,227**	3,686
Amortization of finite-life intangible assets	**13**	**2,294**	1,044
Stock-based compensation	**19**	**80**	321
Current income taxes	**24**	**(509)**	430
Deferred income taxes	**24**	**2,041**	2,615
Interest expense		**92**	85
Interest income	**22**	**(1,174)**	(1,109)
		$ 9,574	$ 8,966

(in thousands of Canadian dollars except as otherwise noted)

27. NET CHANGE IN NON-CASH WORKING CAPITAL RELATING TO OPERATIONS

Details of net change in each element of non-cash working capital relating to operations are as follows:

	Years ended June 30, 2018	2017
(Increase) decrease in current assets		
Accounts receivable	**$ 3,729**	$ (9,171)
Inventories	**1,638**	6,503
Prepaid expenses	**263**	(168)
Income tax receivable	**(2)**	972
	5,628	(1,864)
(Decrease) increase in current liabilities		
Accounts payable and accrued liabilities	**2,071**	(724)
Deferred revenue	**(193)**	(300)
	1,878	(1,024)
	$ 7,506	$ (2,888)

(in thousands of Canadian dollars except as otherwise noted)

28. 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 telecommunication markets. The Content Delivery and Storage segment develops advanced applications focused on storing, protecting, transforming and delivering visual media. The Telematics segment designs, develops and distributes fleet management products. The Discontinued Operations segment represents the YourLink business which provided cable television and internet services in British Columbia and Saskatchewan. YourLink was sold in the prior year (Note 4). Inter-segment transactions take place at terms that approximate fair values. Almost all of the Company's operations, employees and assets are located in Canada and the US. The following highlights key financial information for the operation of these segments.

	Year ended June 30, 2018					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Discontinued Operations	Inter Segment	Total
Sales - external customers	$ 50,319	$ 22,477	$ 5,308	$ -	$ -	$ 78,104
Cost of sales	25,386	9,302	1,566	-	-	36,254
Gross profit	**24,933**	**13,175**	**3,742**	**-**	**-**	**41,850**
Operating expenses	18,829	9,086	2,249	-	-	30,164
Depreciation and amortization	5,360	2,063	1,010	-	-	8,433
Operating income	**744**	**2,026**	**483**	**-**	**-**	**3,253**
Finance income	1,120	12	-	-	-	1,132
Foreign exchange gain (loss)	927	(21)	24	-	-	930
Income before income taxes	**2,791**	**2,017**	**507**	**-**	**-**	**5,315**
Income tax expense	691	712	129	-	-	1,532
Net income from continuing operations	**2,100**	**1,305**	**378**	**-**	**-**	**3,783**
Net income from discontinued operations	**-**	**-**	**-**	**7,019**	**-**	**7,019**
Net income	**$ 2,100**	**$ 1,305**	**$ 378**	**$ 7,019**	**$ -**	**$ 10,802**
Total assets	**$ 145,814**	**$ 50,782**	**$ 13,551**	**$ -**	**$ (108)**	**$210,039**
Total liabilities	**$ 10,090**	**$ 9,972**	**$ 692**	**$ -**	**$ -**	**$ 20,754**

(in thousands of Canadian dollars except as otherwise noted)

28. SEGMENTED FINANCIAL INFORMATION continued

	Year ended June 30, 2017					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Discontinued Operations	Inter Segment	Total
Sales - external customers	$ 66,055	$ -	$ 5,405	$ -	$ -	$ 71,460
Cost of sales	32,802	-	1,637	-	-	34,439
Gross profit	**33,253**	**-**	**3,768**	**-**	**-**	**37,021**
Operating expenses	19,539	-	2,445	-	-	21,984
Depreciation and amortization	5,034	-	1,096	-	-	6,130
Operating income	**8,680**	**-**	**227**	**-**	**-**	**8,907**
Finance income	1,134	-	-	-	-	1,134
Foreign exchange gain	799	-	(4)	-	-	795
Income before income taxes	**10,613**	**-**	**223**	**-**	**-**	**10,836**
Income tax expense	2,988	-	57	-	-	3,045
Net income from continuing operations	**7,625**	**-**	**166**	**-**	**-**	**7,791**
Net income from discontinued operations	**-**	**-**	**-**	**10,257**	**-**	**10,257**
Net income	**$ 7,625**	**$ -**	**$ 166**	**$ 10,257**	**$ -**	**$ 18,048**
Total assets	**$ 178,998**	**$ -**	**$ 14,267**	**$ 917**	**$ (187)**	**$ 193,995**
Total liabilities	**$ 10,977**	**$ -**	**$ 635**	**$ 141**	**$ -**	**$ 11,753**

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

(in thousands of Canadian dollars except as otherwise noted)

28. SEGMENTED FINANCIAL INFORMATION continued

Geographical:

	Years ended June 30, 2018	2017
Sales to external customers		
United States	**$ 64,689**	$ 64,464
Canada	**7,377**	5,872
Japan	**4,071**	-
Other	**1,967**	1,124
	$ 78,104	$ 71,460

	June 30, 2018	June 30, 2017
Non-current assets		
United States	**$ 32,264**	$ -
Canada	**81,656**	73,993
Japan	**1,231**	-
	$ 115,151	$ 73,993

Geographic location is based on shipping location and customer knowledge.

	Years ended June 30, 2018	2017
Sales to major customers accounting for more than 10% of sales		
Customer A	**$ 17,157**	$ 34,483
Customer B	**28,969**	11,578
	$ 46,126	$ 46,061

The sales to these major customers are within the Video and Broadband Solutions and Content Delivery and Storage segments.

(in thousands of Canadian dollars except as otherwise noted)

29. COMMITMENTS AND GUARANTEES

The Company has entered into operating lease commitments for office equipment and for the lease of buildings. The equipment leases have an average life between two and three years with no renewal options included in the contract. The building leases have renewal terms of zero to five years. No restrictions have been placed upon the Company by entering into these leases.

The Company has future minimum lease payment obligations under non-cancelable operating leases as follows:

		June 30, 2018		June 30, 2017
Within one year	**$**	**1,710**	$	1,293
After one year but not more than five years		**1,553**		3,386
	$	**3,263**	$	4,679

30. RELATED PARTY TRANSACTIONS

Vecima is a publicly traded company on the Toronto Stock Exchange. Dr. Surinder Kumar, Chairman of the Board, directly or indirectly controls the majority of the outstanding common shares.

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

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

Compensation of key management personnel of the company:

		Years ended June 30, 2018		2017
Salaries and short-term employee benefits	**$**	**924**	$	897
Post-employment pension		**34**		36
Stock-based compensation		**13**		142
	$	**971**	$	1,075

(in thousands of Canadian dollars except as otherwise noted)

30. RELATED PARTY TRANSACTIONS continued

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. Key management personnel consist of the Board of Directors and certain executives.

The total fair value, at date of grant calculated using the Black-Scholes option-pricing model, for stock options awarded to key management personnel was $nil for the year ended June 30, 2018 (2017 - $15). No stock options were awarded to key management personnel in the year ended June 30, 2018 (2017 - 5,000). As these stock options awarded are granted for six years with vesting based on service and are equity settled, the expense will be recognized ratably over a period of years and thus only a portion of the awards are included in the table above.

The Company leases a building in Saskatoon under a ten-year lease from Dr. Surinder Kumar at the prevailing market rate at the commencement of the lease of $10.00 per square foot. The lease expires in March 2019. The rental expense relating to this transaction was $282 for the year ended June 30, 2018 (year ended June 30, 2017 - $282).

31. FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company held the following financial instruments measured at fair value:

June 30, 2018

	Total	Level 1	Level 2	Level 3
Short-term investments	**$ 46,660**	**$ 46,660**	**$ -**	**$ -**

June 30, 2017

	Total	Level 1	Level 2	Level 3
Short-term investments	$ 85,675	$ 85,675	$ -	$ -
Derivative financial instruments	16	16	-	-

During the years ending June 30, 2018 and June 30, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

32. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Financial Risks

The Company is exposed in varying degrees to a variety of financial risks from its use of financial instruments: credit risk, liquidity risk, currency risk and interest rate risk. The source of risk exposure and how each is managed is outlined below.

(in thousands of Canadian dollars except as otherwise noted)

32. FINANCIAL INSTRUMENTS RISK MANAGEMENT continued

Credit Risk

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

Credit risk also arises from the possibility that a customer would fail to fulfil its financial obligations, therefore the Company's credit risk lies in the collectability of its accounts receivable. Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less allowance for doubtful accounts. An allowance for doubtful accounts is established when there is a reasonable expectation that the Company will not be able to collect all amounts due according to the original terms of the receivable. The carrying amount of the trade accounts receivable is reduced through the use of the allowance account, and the amount of any increases in the allowance is recognized in the statement of income. The Company manages its credit risk related to its trade receivables through a credit management program and all customer accounts are reviewed. Credit approval policies and procedures are in place guiding the granting of credit to new customers. The Company has an allowance for doubtful accounts at June 30, 2018 of $8 (June 30, 2017 - $35). At June 30, 2018, the Company had three major customers (June 30, 2017 - three) who accounted for approximately 51% (June 30, 2017 - 82%) of the year-end accounts receivable balance.

The aging of trade receivables that are not considered to be impaired are as follows:

	June 30, 2018	June 30, 2017
Current	**$ 15,845**	$ 12,126
31 to 60 days	**930**	473
61 to 90 days	**419**	23
Over 90 days	**517**	24
	$ 17,711	$ 12,646

(in thousands of Canadian dollars except as otherwise noted)

32. FINANCIAL INSTRUMENTS RISK MANAGEMENT continued

Liquidity Risk

Liquidity risk arises from the Company's general funding needs and in the management of its assets, liabilities and capital. The Company manages its liquidity risk to maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations in a cost-effective manner. The Company currently holds a significant balance of cash and short-term investments which helps to mitigate this risk. The Company has access to a credit facility in the amount of $14,000 with a Canadian chartered bank. As of June 30, 2018, the remaining amount available to be drawn under this credit facility is $14,000.

The table below presents a maturity analysis of the Company's financial liabilities:

		Payments due within		
	Carrying Amount of Liability	1 year	1-3 years	Thereafter
Accounts payable and accrued liabilities	$ 12,151	$ 12,151	$ -	$ -
Income taxes payable	358	358	-	-
	$ 12,509	$ 12,509	$ -	$ -

Currency Risk

Approximately 95% (June 30, 2017 - 96%) of the Company's sales are denominated in USD. The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures of the exchange rates for the Canadian dollar. These contracts are considered "held for trading" instruments. Changes in the value of these contracts are recorded as an element of foreign exchange gain.

As at June 30, 2018, the Company has an unrealized net gain of $nil (June 30, 2017 - $16 net gain) on outstanding forward purchase contracts.

For the year ended June 30, 2018, 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 $357 (June 30, 2017 - $432) higher or lower.

Interest Rate Risk

The Company is exposed to floating interest rate risk, as the required cash flows to service its debt will fluctuate as a result of changes in market rates. This risk is limited to the line of credit and long-term debt. The Company is also exposed to changes in interest rates related to its short-term investments, as the income received from these investments will fluctuate as a result of changes in market rates. A 1% movement in the interest rate would have resulted in a $711 change to net income before income taxes for the year ended June 30, 2018 (June 30, 2017 - $662).

33. CAPITAL DISCLOSURES

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 and shareholders' equity. The Company's capital as at June 30, 2018 was $191,514 (June 30, 2017 - $184,700). The Company monitors its capital structure and based on changes in economic conditions, may adjust the structure through the repurchase of shares, the issuance of shares or the use of debt facilities. The Company manages its capital structure in order to ensure sufficient resources are available to fund the development and growth of next generation products and, to fund the expansion of its manufacturing facilities, providing an opportunity to reinforce its market position.

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

34. SUBSEQUENT EVENTS

On September 25, 2018, the Board of Directors declared a dividend of $0.055 per common share, payable on November 2, 2018 to shareholders of record as at October 12, 2018 consistent with its previously announced dividend policy.

During July 2018, the Company incurred estimated, non-recurring restructuring costs of $711. These costs relate to charges to undertake changes to the company's production capabilities and reflects personnel-related expenses.