Management's Discussion & Analysis

and

Audited Annual Consolidated Financial Statements

Year ended June 30, 2019

Dear Fellow Shareholders,

Fiscal 2019 was a year of concerted moves and important achievements as we broadly solidified our market position in preparation for two of the most profound transitions unfolding within our industry: DOCSIS Distributed Access Architecture (DAA) and IPTV.

Nearing Deployment of Entra

On the DAA front, I am delighted to report that we are now nearing initial deployments of our new Entra Distributed Access Architecture products.

As you know, the industry transition to DAA has required significant investment and no small amount of patience as our customers have worked through the demanding technical aspects of operationalizing this technology at scale. It has taken longer than expected, but we have used the time effectively. During fiscal 2019 we further expanded and differentiated our Entra family of products with new offerings and features and widened our customer engagements. At the same time, we continued to play an industry leadership role in driving distributed access specifications at CableLabs, the industry standards body, and we successfully demonstrated our products and the interoperability of our solution at two major industry testing events during the year.

The good news is that we are finally seeing definite plans among a number of MSOs as the quantity of DAA trials and customer engagements rise and we anticipate further field trials will commence in the near-term. As of today, we have engagement with 16 cable operators in North America, Central and Latin America, Europe and Asia for our DAA products and the count is growing. We have also secured our first master purchase agreement covering our Entra Remote PHY Nodes and Monitor products with a Tier 1 operator entering field trials. In addition, our Legacy QAM Adapter (LQA) is already generating initial revenue having now been deployed at multiple customers where it provides an elegant solution for video in DAA at the best price in the industry. While initial sales are typically modest, these are important milestones on the path to commercialization of DAA and our momentum should build as more customers move to deployment.

Growing Demand for our IPTV Platforms

In fiscal 2019, our Content Delivery and Storage segment also made significant strides in pursuit of the global market transition to IPTV. We significantly enhanced our MediaScaleX™ platform, a next-generation hyper-scale platform suite that builds on the successful and award-winning Storage, Cache, Origin, and Transcode products to provide a full range of IPTV services. We also expanded our relationships with some of the world's largest MSOs. This included a large communications and entertainment group in Europe that is deploying our MediaScaleX™ platform to in an all-encompassing, modern IPTV network, and a top five MSO that is using MediaScaleX™ to expand services to over 75% of its customers and more efficiently serve on-demand video across its network of cable subscribers. By year end, 17 operators were using Vecima platforms to deliver IP video services.

Based on the build-up of new customers in late FY2019, the significant product enhancements to our MediaScaleX™ product family, and an expected shift to higher levels of capital spending among customers, we are anticipating strong demand for our IP video technologies in fiscal 2020. More specifically, we believe our Content Delivery and Storage segment has the potential to increase revenues by 20% or more in fiscal 2020, stemming from the pipeline of opportunities for migration to IP video networks, including linear broadcast, cl oud DVR and time-shift TV.

New Opportunities in our Proven Product Families

Not only did we achieve great progress with our emerging technologies in fiscal 2019, but we also advanced some of our more established product groups. Our market-leading Terrace family of commercial video platforms continued to enjoy wide adoption with some of the world's largest cable operators. Early in the year we secured a new supply agreement and initial revenue with a leading European MSO covering our Terrace DVB product, the latest edition from our Terrace family line. In the third quarter, we supported a Tier 1 MSO's MPEG-4 expansion with the TC600E. And moving into fiscal 2020, we see opportunities for our powerful next-generation Terrace IQ platform emerging with a major MSO customer.

Our Telematics business also continued to make steady progress with our fleet management systems and in fiscal 2019 launched the Nero GPS Asset Tracking product which targets the movable asset tracking market and augments our fleet management business. As asset tracking technology broadens its reach across various commercial sectors, we will continue to target additional verticals that leverage our technology strengths and diversify our revenue streams.

Maintaining our Strong Financial Position

Financially, fiscal 2019 reflected the realities of a technology transition year, with expected declines in demand for a number of our legacy products and a corresponding impact on our bottom line results. But even in a transition year, we achieved revenues of $85.0 million, a 9% increase over FY2018. We also closed the year with a healthy cash balance of $44.4 million, while also returning $4.9 million to our investors by way of our regular quarterly dividends and completing a small but strategic tuck-in acquisition in the fourth quarter, which we financed with cash.

Thanks to the strategic steps taken in fiscal 2019 to tighten our R&D priorities, streamline our administrative processes and manage our business and our finances prudently, we are moving into fiscal 2020 in a very strong financial position and ready to embark on growth.

In our Video and Broadband Solutions core business, we are focusing our priorities to take advantage of the first revenue opportunities that come in as MSOs solidify their DAA deployment plans. In our Content Delivery and Storage segment, we have created an innovative line-up of platforms to capitalize on the opportunities in the emerging market for IPTV, enabling our customers to provide premium services like live linear broadcast, cloud DVR, streaming on-demand and time-shift TV. And in our Telematics business, we are anticipating continued incremental growth for our fleet tracking products, along with gradual growth in our newer moveable asset tracking services. Overall, it promises to be an exciting year as we move toward deployment with our newest technologies.

I want to close by acknowledging our employees, and I thank them for the innovation, the drive and the discipline they bring to work each day. They are the inspiration behind the differentiated, world-class products that empower our customers and position Vecima to capitalize on the many ways people are consuming more information and entertainment. On behalf of the Board of Directors, I also want to thank you, our shareholders, for your continued support. We are truly excited about Vecima's future and looking forward to more significant achievements in fiscal 2020.

Sincerely,

Sumit Kumar
President and CEO

VECIMA NETWORKS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 24, 2019

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, 2019.

Our MD&A supplements, but does not form part of, our audited consolidated financial statements and related notes for the year ended June 30, 2019. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended June 30, 2019 and June 30, 2018 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 "Additional Information - Forward-Looking Information" section of this MD&A.

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

Table of Contents

Company Overview

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

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

Vecima's business is organized into three segments:

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

   a. Terrace and TerraceQAM are two key product families in this segment which meet the needs of the business services vertical including MDU (multi-dwelling units) and Hospitality (including hotels, motels and resorts).

   b. Our next-generation of platforms, under the Entra product family, addresses the network migration to a Distributed Access Architecture (as described below under Industry Developments). 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.

   The Entra Distributed Access solution comprises three components:

   - An Access Node that can operate as Remote PHY or Remote MAC-PHY and provides a modular platform for deployment of access technologies;
   - A Remote PHY Monitor - 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.

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

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

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

Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards Distributed Access Architectures (DAA) under the latest DOCSIS 3.1 standard. In calendar 2019, some top tier players initiated a gradual roll out of this new platform with further large-scale deployments anticipated over the next several years. DOCSIS 3.1 is a critical evolution for the industry in that it unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second (Gbps) for download speed and 3 Gbps for upload speed. The speed provided by DOCSIS 3.1 is comparable to that of fiber optic connections, thereby allowing cable operators to upgrade their systems, but without the added infrastructure 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 their previously deployed capacity. The higher efficiency of DOCSIS 3.1 technology also enables significant cost-per-bit reductions relative to DOCSIS 3.0 network solutions.

Content Delivery and Storage

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

Telematics

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

Our Strategy

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

Fiscal 2019 Highlights

Financial Highlights

- Achieved 2019 revenue of $85.0 million, up 9% from $78.1 million in fiscal 2018
- Achieved gross profit of $44.9 million and a gross profit margin of 53%, as compared to gross profit of $41.9 million and a gross profit margin of 54% in fiscal 2018
- Generated full-year Adjusted EBITDA of $8.2 million compared to $14.5 million in fiscal 2018
- Ended the year in strong financial position with $44.4 million in cash
- Declared annual dividends of $0.22 per share including a fourth quarter dividend of $0.055 per share payable on November 1, 2019 to shareholders of record on October 11, 2019. This represents $24.8 million returned to shareholders through regular dividends.

Video and Broadband Solutions

- Neared commercial roll-out of Entra family of Distributed Access Architecture products
  - In various phases of lab and field trials with a total of 16 Tier 1, 2 & 3 operators in North America, Central and Latin America, Europe and Asia
  - Significantly broadened Entra products portfolio to include Entra Remote PHY Monitor, which provides industry-leading service assurance for DAA, and Entra video QAM manager, a solution that allows service providers to maintain today's primary video services within DAA architecture at the lowest cost in the industry
  - Signed master purchase agreement covering Entra Remote PHY nodes and Remote PHY Monitor with a Tier 1 MSO
- Market-leading Terrace family of commercial video platforms enjoyed continued wide adoption among some of the world's largest cable operators
  - Supported a Tier 1 customers MPEG-4 network expansion with the TC600E
  - Secured initial revenue with a leading European MSO for next-generation Terrace DVB

Content Delivery and Storage

- Continued expansion into IPTV market with 17 operators now using Vecima platforms to deliver IP video
  - Expanded relationship with NOS, one of the largest communications and entertainment groups in Europe, to deploy the MediaScaleX™ platform
  - Secured agreements with two global resellers for transcoding and storage solutions

- Partnered with one of the world's top five MSOs to use the MediaScaleX™ platform to expand services to over 75% of its footprint and more efficiently serve on-demand video across its network of cable providers
- Total of six customers have deployed, or are in the process of deploying, our cloud DVR solution
- On May 31, 2019, expanded Vecima's end-to-end solutions capability by acquiring the assets of Root6, a UK-based software and solutions company specializing in the video ingest and delivery automation solutions used by some of the world's leading content creators

Telematics

- Continued incremental growth in fleet management market
- Entered the moveable assets market, securing initial customers in the restoration segment of the construction industry.

Outlook

The North American cable industry continues to prepare for the transition to a new architecture - Distributed Access Architecture (DAA) - with MSOs at various stages of planning. Vecima's Entra family of DAA products has been moving successfully through lab trials with a diverse mix of Tier 1, Tier 2 and Tier 3 MSOs and we recently signed our first master purchase agreement with a Tier 1 customer entering field trials. We anticipate initial sales of our Remote PHY nodes and Remote PHY Monitor products commencing in the first half of fiscal 2020. While initial sales are expected to be modest, momentum is expected to build as additional customers move closer to deployment. Demand for our legacy cable products is expected to continue to taper through fiscal 2020 as the industry evolves to the new technologies.

Our Content Delivery and Storage segment is positioned for growth in fiscal 2020. The combination of significant product enhancements to our MediaScaleX™ product family, a build-up of new customers in the latter part of fiscal 2019, and an expected shift to higher levels of capital spending among existing customers is expected to underpin robust demand for our IP video technologies. While sales growth is anticipated on a full-year basis, we note again that the Content Delivery and Storage segment is prone to significant quarter-to-quarter revenue variations related to the timing of large customer orders. We believe that the CDS segment has potential for over 20% sales growth in fiscal 2020 stemming from our pipeline of opportunities for migration to IP video networks including linear broadcast, cloud DVR and time-shifting.

In the Telematics segment, we anticipate incremental growth in demand from the fleet tracking market in fiscal 2020, along with gradual growth in demand for our newer movable asset tracking services.

Overall, we continue to position Vecima for industry leadership in the DAA market and the IP video content delivery and storage space. With a strong balance sheet, we are well positioned to pursue our product strategies while also continuing to assess attractive acquisitions that provide significant accretion and give us rapid access to technologies and differentiating features that help drive our growth and success.

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 Comprehensive (Loss) Income Data	**Years ended June 30,**					
	2019		2018		2017	
Sales	**$ 85,032**	**100 %**	$ 78,104	100 %	$ 71,460	100 %
Cost of sales	**40,155**	**47 %**	36,254	46 %	34,439	48 %
Gross profit	**44,877**	**53 %**	41,850	54 %	37,021	52 %
Operating expenses						
Research and development[1]	**18,973**	**22 %**	15,101	19 %	11,749	17 %
Sales and marketing	**14,112**	**17 %**	10,463	13 %	5,285	7 %
General and administrative	**16,596**	**20 %**	13,248	17 %	9,875	14 %
Impairment of intangible assets	**-**	**- %**	22	- %	174	- %
Restructuring costs	**2,176**	**3 %**	-	- %	986	1 %
Share-based compensation	**112**	**- %**	80	- %	321	1 %
Other (income) expense	**(418)**	**(1)%**	(317)	- %	(276)	- %
	51,551	**61 %**	38,597	49 %	28,114	40 %
Operating (loss) income	**(6,674)**	**(8)%**	3,253	5 %	8,907	12 %
Finance income	**879**	**1%**	1,132	1 %	1,134	2 %
Foreign exchange (loss) gain	**(66)**	**- %**	930	1%	795	1 %
(Loss) income before taxes	**(5,861)**	**(7)%**	5,315	7 %	10,836	15 %
Income tax (recovery) expense	**(2,402)**	**(3)%**	1,532	2 %	3,045	4 %
Net (loss) income from continuing operations	**(3,459)**	**(4)%**	3,783	5 %	7,791	11 %
Discontinued operations	**-**	**- %**	7,019	9 %	10,257	14 %
Net (loss) income	**(3,459)**	**(4)%**	10,802	14 %	18,048	25 %
Other comprehensive (loss) income	**(67)**	**- %**	1,077	1 %	-	-
Comprehensive (loss) income	**$ (3,526)**	**(4)%**	$ 11,879	15 %	$ 18,048	25 %
Net (loss) income per share[2]						
Basic	**$ (0.15)**		$ 0.48		$ 0.81	
Basic from continuing operations	**$ (0.15)**		$ 0.17		$ 0.35	
Diluted	**$ (0.15)**		$ 0.48		$ 0.80	
Diluted from continuing operations	**$ (0.15)**		$ 0.17		$ 0.35	
Other Data						
Total research and development expenditures[3]	**$ 29,336**		$ 27,469		$ 21,066	
Adjusted EBITDA[4]	**$ 8,177**		$ 14,535		$ 20,296	
Adjusted earnings per share[5]	**$ (0.09)**		$ 0.17		$ 0.43	
Number of employees[6]	**364**		419		352	

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

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

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

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

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

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

Consolidated Statements of Financial Position		**As at June 30,**				
(unaudited - in thousands of dollars except common share data)		**June 30, 2019**		June 30, 2018		June 30, 2017
Cash and cash equivalents	**$**	**19,834**	$	11,034	$	3,517
Short-term investments	**$**	**24,569**	$	46,660	$	85,675
Working capital	**$**	**58,286**	$	77,403	$	110,457
Total assets	**$**	**200,770**	$	210,039	$	193,995
Long-term debt	**$**	**1,729**	$	1,979	$	2,208
Shareholders' equity	**$**	**180,768**	$	189,285	$	182,242
Number of common shares outstanding(1)		**22,362,031**		22,414,944		22,385,574

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

Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share

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

Calculation of Adjusted Earnings per Share		**Years ended**				
(unaudited - in thousands of dollars except per share amounts)		**2019**		2018		2017
Net (loss) income	**$**	**(3,459)**	$	10,802	$	18,048
(Gain) loss on sale spectrum licenses, net of tax		**-**		(7,087)		62
Gain on sale of non-core intangibles, net of tax		**(176)**		-		-
Gain on sale of non-core PPE, net of tax		**-**		-		(9,311)
Impairment of intangible assets, net of tax		**-**		16		130
Restructuring costs, net of tax		**1,623**		-		735
Adjusted net (loss) income	**$**	**(2,012)**	$	3,731	$	9,664
Earnings per share	**$**	**(0.15)**	$	0.48	$	0.81
(Gain) loss on sale of spectrum licenses, net of tax		**-**		(0.31)		-
Gain on sale of non-core intangibles, net of tax		**(0.01)**		-		-
Gain on sale of non-core PPE, net of tax		**-**		-		(0.42)
Impairment of intangible assets, net of tax		**-**		-		0.01
Restructuring costs, net of tax		**0.07**		-		0.03
Adjusted (loss) earnings per share	**$**	**(0.09)**	$	0.17	$	0.43

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

EBITDA and Adjusted EBITDA

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

Calculation of Adjusted EBITDA	**Years ended**		
	2019	2018	2017
Net (loss) income	**$ (3,459)**	$ 10,802	$ 18,048
Income tax (recovery) expense	**(2,402)**	2,626	4,263
Interest expense	**200**	92	110
Depreciation of PP&E	**2,339**	2,406	2,202
Amortization of deferred development costs	**5,529**	4,227	3,686
Amortization of intangible assets	**3,802**	2,294	1,044
EBITDA	**6,009**	22,447	29,353
Gain on assets held for resale	**-**	(8,109)	(275)
Loss (gain) on sale of property, plant and equipment	**82**	95	(10,263)
Gain on sale of intangible assets	**(202)**	-	-
Restructuring costs	**2,176**	-	986
Impairment of intangible assets	**-**	22	174
Share-based compensation	**112**	80	321
Adjusted EBITDA	**$ 8,177**	$ 14,535	$ 20,296
Adjusted EBITDA margin (%)	**10 %**	19 %	28 %

Total Research and Development Expenditures

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

Calculation of Research and Development Expenditures	**Years ended**		
	2019	2018	2017
Research and development per statement of income	**$ 18,973**	$ 15,101	$ 11,749
Deferred development costs	**16,057**	16,407	12,950
Investment tax credits	**67**	237	342
Amortization of deferred development costs	**(5,529)**	(4,227)	(3,686)
Government grants	**(232)**	(49)	(289)
Total research and development expenditure	**$ 29,336**	$ 27,469	$ 21,066
Percentage of sales	**34 %**	35 %	29 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the year ended June 30, fiscal 2019 and fiscal 2018 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 2019				Fiscal Year 2018			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Sales	**$ 20,715**	**$ 20,328**	**$ 22,654**	**$ 21,335**	$ 24,346	$ 24,124	$ 14,752	$ 14,882
Cost of sales	**10,555**	**9,642**	**9,814**	**10,144**	11,075	11,743	7,032	6,404
Gross profit	**10,160**	**10,686**	**12,840**	**11,191**	13,271	12,381	7,720	8,478
Operating expenses								
Research and development	**5,006**	**4,797**	**4,567**	**4,603**	4,427	4,466	3,045	3,163
Sales and marketing	**3,631**	**4,029**	**3,252**	**3,200**	4,227	4,015	1,113	1,108
General and administrative	**4,340**	**4,247**	**4,006**	**4,003**	3,979	4,119	2,540	2,610
Impairment of intangible assets	**-**	**-**	**-**	**-**	22	-	-	-
Restructuring costs	**1,419**	**-**	**-**	**757**	-	-	-	-
Share-based compensation	**10**	**28**	**40**	**34**	31	22	14	13
Other (income) expense	**17**	**(69)**	**(278)**	**(88)**	(92)	(54)	(89)	(82)
	14,423	**13,032**	**11,587**	**12,509**	12,594	12,568	6,623	6,812
Operating (loss) income	**(4,263)**	**(2,346)**	**1,253**	**(1,318)**	677	(187)	1,097	1,666
Finance income	**329**	**301**	**27**	**222**	211	237	386	298
Foreign exchange (loss) gain	**(523)**	**(619)**	**1,593**	**(517)**	454	846	300	(670)
(Loss) income before income taxes	**(4,457)**	**(2,664)**	**2,873**	**(1,613)**	1,342	896	1,783	1,294
Income tax expense (recovery)	**(1,504)**	**(1,203)**	**823**	**(518)**	554	194	454	330
Net (loss) income from continuing operations	**(2,953)**	**(1,461)**	**2,050**	**(1,095)**	788	702	1,329	964
Net (loss) income and comprehensive (loss) income from discontinued operations	**-**	**-**	**-**	**-**	(45)	1	1	7,062
Net (loss) income	**(2,953)**	**(1,461)**	**2,050**	**(1,095)**	743	703	1,330	8,026
Other comprehensive (loss) income	**(460)**	**(584)**	**1,395**	**(418)**	450	627	-	-
Comprehensive (loss) income	**$ (3,413)**	**$ (2,045)**	**$ 3,445**	**$ (1,513)**	$ 1,193	$ 1,330	$ 1,330	$ 8,026
Net (loss) income per share								
Basic	**$ (0.13)**	**$ (0.06)**	**$ 0.09**	**$ (0.05)**	$ 0.03	$ 0.03	$ 0.06	$ 0.36
Diluted	**$ (0.13)**	**$ (0.06)**	**$ 0.09**	**$ (0.05)**	$ 0.03	$ 0.03	$ 0.06	$ 0.36
Adjusted EBITDA as reported	**$ 281**	**$ 424**	**$ 5,539**	**$ 1,933**	$ 4,352	$ 3,753	$ 3,557	$ 2,874

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.

The addition of our new Content Delivery and Storage segment following our acquisition of the Concurrent business has also contributed to variation in our quarterly sales. Quarterly sales fluctuations are typical of this business due to the timing of large customer orders.

Segmented Information

Sales

Segment		Three months ended June 30, 2019		2018		Years ended June 30, 2019		2018
Video and Broadband Solutions	**$**	**6,889**	$	11,085	**$**	**37,665**	$	50,319
Content Delivery and Storage		**12,504**		11,951		**41,879**		22,477
Telematics		**1,322**		1,310		**5,488**		5,308
Total sales	**$**	**20,715**	$	24,346	**$**	**85,032**	$	78,104

Three-Month Sales

We generated total sales of $20.7 million in the fourth quarter of fiscal 2019, up 2% from the $20.3 million generated in Q3 fiscal 2019 but a 15% decrease compared to $24.3 million in Q4 fiscal 2018. Year-over-year sales results reflect the anticipated decrease in Video and Broadband legacy product sales offset by an increase in Content Delivery and Storage sales.

The Video and Broadband Solutions segment generated sales of $6.9 million in the fourth quarter of fiscal 2019. This compares to $11.1 million in Q4 fiscal 2018 and $12.4 million in Q3 fiscal 2019 a decrease of 38% and 45% respectively.

- Fourth quarter Terrace family sales were $4.0 million as compared to $7.9 million in the same period last year and $8.5 million in Q3 fiscal 2019. The 52% decrease in sequential quarterly sales reflects the significant deployment of TC600E products in Q3 fiscal 2019 in support of a Tier 1 MSO customer's MPEG-4 densification program.

- Fourth quarter fiscal 2019 sales of TerraceQAM were $1.7 million, a 23% decrease from $2.2 million in the fourth quarter of 2018, but up 15% from $1.5 million in Q3 fiscal 2019. We believe that our customer's need for new systems is nearing saturation, and while we could still see some quarterly fluctuations in demand for TerraceQAM, we are now working with our customers on the next-generation platform.

- Fourth quarter fiscal 2019 sales of our new Legacy QAM Adaptor increased 72% to $0.5 million from $0.3 million in Q3 fiscal 2019.

Our Content Delivery and Storage segment increased sales to $12.5 million in the fourth quarter of fiscal 2019, up 4% from $12.0 million in the same period last year, and an increase of 92% from $6.5 million in Q3 fiscal 2019. The significant increase in sequential quarterly sales largely reflects the timing of large customer orders. As we have noted previously, quarterly sales variances in this segment can be pronounced. Segment sales for the Q4 fiscal 2019 period included $8.7 million of product sales and $3.8 million of services revenue.

Telematics sales were flat at $1.3 million in the fourth quarter of fiscal 2019, from $1.3 million in Q4 fiscal 2018 but were down slightly from sales of $1.4 in Q3 fiscal 2019. Results for the quarter were in line with our expectations.

Twelve-Month Sales

Total sales increased by 9% to $85.0 million in the year ended June 30, 2019, up from $78.1 million in the same period of fiscal 2018. This increase primarily reflects a full year of contribution from our new Content Delivery and Storage segment, as compared to just two quarters of operations in 2018. This gain was offset by lower sales in the Video and Broadband Solutions segment.

Video and Broadband Solutions reported sales of $37.7 million in fiscal 2019, as compared to $50.3 million in fiscal 2018.

- Full-year sales of the Terrace family of products were $23.7 million, a 27%, decrease from $32.4 million in fiscal 2018. The sales results reflect a slower pace of purchasing activity for legacy TC600E products as one of our Tier 1 MSO customer moves to a general network-wide all-digital conversion, partially offset by a significant third quarter deployment of a TC600E upgrade in support of our customer's MPEG-4 densification program.

- Sales of TerraceQAM were $6.0 million in fiscal 2019, compared to $12.4 million in fiscal 2018. The 52% decrease was anticipated and is in keeping with our view that our customer's need for new systems is nearing saturation. While we will see quarterly fluctuations in demand for TerraceQAM going forward, we are now working with our customer to prepare for the next-generation platform.

Sales from our Content Delivery and Storage segment increased 86% to $41.9 million in fiscal 2019, from $22.5 million in fiscal 2018. The 2019 results include two extra quarters of operations. Sales in the current year included $27.1 million of product sales and $14.8 million of services revenue.

Telematics sales increased to $5.5 million in fiscal 2019, up 4% from $5.3 million in fiscal 2018. These results were in line with our expectations.

Cost of Sales

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

Gross Profit and Gross Margin

	Three months ended June 30,		Years ended June 30,	
Segment	**2019**	2018	**2019**	2018
Video and Broadband Solutions	**$ 3,092**	$ 5,200	**$ 18,244**	$ 24,933
Content Delivery and Storage	**6,203**	7,154	**22,891**	13,175
Telematics	**865**	917	**3,742**	3,742
Total gross profit	**$ 10,160**	$ 13,271	**$ 44,877**	$ 41,850
Video and Broadband Solutions	**44.9 %**	46.9 %	**48.4 %**	49.6 %
Content Delivery and Storage	**49.6 %**	59.9 %	**54.7 %**	58.6 %
Telematics	**65.4 %**	70.0 %	**68.2 %**	70.4 %
Total gross margin	**49.0 %**	54.5 %	**52.8 %**	53.6 %

Three-Month Results

For the three months ended June 30, 2019, we achieved a gross margin of 49%, providing a total gross profit of $10.2 million. This compares to a gross margin of 55% (total gross profit of $13.3 million) in the same period last year, and 53% (total gross profit of $10.7 million) achieved in Q3 fiscal 2019.

Fourth quarter gross margin from the Video and Broadband Solutions segment was 45% (gross profit of $3.1) million as compared to 47% (gross profit of $5.2 million) in Q4 fiscal 2018. Gross margin in the current quarter was negatively impacted by lower sales, lower prices for certain Terrace family products, as well as by sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15. These impacts were partially offset by the weakening of the Canadian dollar relative to the U.S. dollar on a year-over-year basis.

The Content Delivery and Storage segment generated a fourth quarter gross margin of 50% (gross profit of $6.2 million), as compared to 60% (gross profit of $7.2 million) in Q4 fiscal 2018 and 54% (gross profit of $3.5 million) in Q3 fiscal 2019. The year-over-year decrease reflects significantly lower sales in the current period, together with a shift in customer and product mix between the two periods as well as by sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15.

Gross margin from the Telematics segment decreased to 65% (gross profit of $0.9 million) in the fourth quarter of fiscal 2019, from 70% (gross profit of $0.9 million) in Q4 fiscal 2018. Sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15 and higher cost of sales on the asset management product were the main factors in this decrease.

Twelve-Month Results

For the year ended June 30, 2019, gross margin decreased slightly to 53% from 54% in the previous year, however total gross profit increased 7% to $44.9 million from $41.9 million reflecting higher sales in fiscal 2019.

Full-year gross margin from the Video and Broadband Solutions segment was 48% (gross profit of $18.2 million), as compared to 50% (gross profit of $24.9 million) in fiscal 2018. The segment's fiscal 2019 gross margin was negatively affected by sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15, as well as by lower prices for certain Terrace family products. These impacts were partially offset by a weaker Canadian dollar relative to the U.S. dollar on a year-over-year basis.

The Content Delivery and Storage segment generated a gross margin of 55% in fiscal 2019, as compared to 59% in fiscal 2018. The change in gross margin primarily reflects a shift in customer and product mix, together with sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15. Gross profit for fiscal 2019 increased by 46% to $22.9 million, from $13.2 million, reflecting a full year of operations in the 2019 fiscal year, as compared to just two quarters in fiscal 2018.

The Telematics segment gross margin decreased to 68% (gross profit of $3.7 million) in the year ended June 30, 2019 from 70% (gross profit of $3.7 million) in fiscal 2018. The year-over-year decrease reflects sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15 offset by increased sales year-over-year.

Operating Expenses

Segment	**Three months ended June 30,**				**Years ended June 30,**			
		2019		2018		**2019**		2018
Video and Broadband Solutions	**$**	**7,716**	$	6,044	**$**	**26,858**	$	24,189
Content Delivery and Storage		**5,927**		5,808		**21,756**		11,149
Telematics		**780**		742		**2,937**		3,259
Total operating expense	**$**	**14,423**	$	12,594	**$**	**51,551**	$	38,597

Three-Month Results

For the three months ended June 30, 2019, total operating expenses increased to $14.4 million, from $12.6 million in Q4 fiscal 2018. This primarily reflects higher operating expenses in the Video and Broadband Solutions segment related to restructuring costs, higher research and development expense and increased general and administrative expense partially offset by lower sales and marketing expense.

Video and Broadband Solutions operating expenses increased to $7.7 million, from $6.0 million in Q4 fiscal 2018. The year-over-year increase mainly reflects restructuring costs, higher research and development expenses reflecting increased research and development expense due to lower research and development deferrals and higher amortization of deferred development costs, and partially offset by commissions reclassified to cost of sales as a result of IFRS 15.

Content Delivery and Storage operating expenses were slightly higher at $5.9 million in Q4 fiscal 2019, as compared to $5.8 million in the prior-year quarter. On a sequential quarterly basis, the segment's operating expenses increased by $0.5 million from $5.3 million in Q3 fiscal 2019, reflecting increased research and development expenses due to lower research and development deferrals and higher amortization of deferred development costs, the addition of operating costs from the newly acquired ContentAgent business, and higher trade show costs in the Q4 2019 period.

Telematics operating expenses were lower at $0.8 million in Q4 fiscal 2019, as compared to $0.7 million in Q4 fiscal 2018. Increased general and administrative expense was the main reason for the small increase. On a sequential quarterly basis, Telematics operating expenses were $0.1 million higher than the $0.7 million recorded in Q3 fiscal 2019 reflecting higher research and development expenses.

Research and development expenses for Q4 fiscal 2019, increased to $5.0 million, or 24% of sales, from $4.4 million, or 18% of sales in the same period of fiscal 2018. 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 Q4 fiscal 2019 decreased to $6.2 million, or 30% of sales, from $8.1 million, or 33% of sales in Q4 fiscal 2018. The decrease was the result of lower subcontracting costs and lower staffing costs in the current-year quarter.

Sales and marketing expenses were $3.6 million, or 18% of sales in Q4 fiscal 2019, as compared to $4.2 million, or 17% of sales last year. Lower finished goods inventory allowances and sales commissions now being classified in costs of sales as a result of the adoption of IFRS 15 were the main factors for the decrease.

General and administrative expenses increased to $4.3 million in Q4 fiscal 2019, from $4.0 million in Q4 fiscal 2018. The year-over-year increase reflects the addition of ContentAgent expenses from the newly acquired Content Agent business and increased staffing costs year-over-year.

Restructuring costs were $1.4 million in Q4 fiscal 2019 and represent severance costs related to the reduction of our research and development staff levels as we near completion of a number of our next generation products and align our research and development investment accordingly.

Stock-based compensation expense decreased to $0.01 million in Q4 fiscal 2019, from $0.03 million in Q4 fiscal 2018.

Other (income) expense remained steady year-over-year.

Twelve-Month Results

For the year ended June 30, 2019, total operating expenses increased to $51.6 million, from $38.6 million in fiscal 2018. The year-over-year increase primarily reflects two extra quarters of Content Delivery and Storage operations in the fiscal 2019 year, together with the impact of restructuring costs in the current year, partially offset by sales commissions reclassified to cost of sales as a result of IFRS 15 and acquisition related costs incurred in the prior year which did not repeat in fiscal 2019.

Video and Broadband Solutions operating expenses for the year ended June 30, 2019 increased to $26.9 million, from $24.2 million in fiscal 2018. The year-over-year increase reflects restructuring costs incurred in fiscal 2019 and an increase in research and development expenses due to higher amortization of deferred development costs and lower deferred development costs. These impacts were partially offset by commissions now being classified in costs of sales as a result of the adoption of IFRS 15.

Content Delivery and Storage operating expenses increased to $21.8 million for the year ended June 30, 2019 from $11.1 million in fiscal 2018. The 2019 results include two extra quarters of operations, reflecting the mid-year timing of our acquisition of this business segment in fiscal 2018.

Telematics operating expenses decreased to $2.9 million in Q4 fiscal 2019, from $3.3 million in Q4 fiscal 2018. This $0.4 million decrease primarily reflects a reduction in finished goods inventory allowances for legacy telematic products and lower research and development costs.

Research and development expenses for the year ended June 30, 2019 increased to $19.0 million, or 22% of sales, from $15.1 million, or 19% of sales in fiscal 2018. 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 year ended June 30, 2019 increased to $29.3 million, or 34% of sales, from $27.5 million, or 35% of sales for the same period in the prior year. This increase was primarily the result of two extra quarters of Content Delivery and Storage segment operations partially offset by lower subcontracting costs and higher government assistance in the current year.

Sales and marketing expenses increased to $14.1 million, or 17% of sales in Q4 fiscal 2019, from $10.5 million, or 13% of sales last year. This increase primarily reflects the two extra quarters of Content Delivery and Storage operations.

General and administrative expenses increased to $16.6 million in Q4 fiscal 2019, from $13.2 million in Q4 fiscal 2018. The year-over-year increase primarily reflects the two extra quarters of Content Delivery and Storage operations in the fiscal 2019 period.

Restructuring costs were $2.2 million for the year ended June 30, 2019 from $nil in fiscal 2018 and include restructuring costs of $1.4 million related to the reorganization of our research and development staffing, as well as $0.8 million in severance costs related to the reorganization of our manufacturing operations.

Stock-based compensation expense were $0.1 million for the year ended June 30, 2019 from $0.1 million fiscal 2018.

Other (income) expense increased to $0.4 million for the year ended June 30, 2019, from $0.3 million in fiscal 2018. Sale of intellectual property was the main driver of this year-over-year increase.

Operating (Loss) Income

	Three months ended June 30,		Years ended June 30,	
Segment	**2019**	2018	**2019**	2018
Video and Broadband Solutions	**$ (4,625)**	$ (844)	**$ (8,614)**	$ 744
Content Delivery and Storage	**277**	1,346	**1,135**	2,026
Telematics	**85**	175	**805**	483
Total operating (loss) income	**$ (4,263)**	$ 677	**$ (6,674)**	$ 3,253

Three-Month Results

We reported an operating loss of $4.3 million in Q4 fiscal 2019, as compared to operating income of $0.7 million in Q4 fiscal 2018. The $5.0 million change was mainly driven by the $3.8 million decrease in contribution from the Video and Broadband Solutions and the $1.1 million decrease in contribution from the Content Delivery and Storage segment, and by the $0.1 million decreased contribution from the Telematics segment year-over-year.

The Video and Broadband Solutions segment reported a fourth quarter operating loss of $4.6 million, as compared to operating loss of $0.8 million in Q4 fiscal 2018. The year-over-year decrease reflects the $2.1 million decrease in gross profit and the $1.7 million increase in operating expenses.

Content Delivery and Storage reported fourth quarter operating income of $0.3 million, as compared to operating income of $1.3 million in the same period of fiscal 2018. The year-over-year change primarily reflects the $0.9 million decrease in gross profit and a $0.1 million increase in operating expenses.

Telematics operating income decreased to $0.1 million in Q4 fiscal 2019, from $0.2 million in Q4 fiscal 2018. This decrease reflects the $0.1 million increase in operating expenses year-over-year.

Finance income increased to $0.33 million in Q4 fiscal 2019, from $0.21 million in the same period last year. Higher income on short-term investments was the key factor in this increase.

Foreign exchange (loss) gain for the three months ended June 30, 2019 was a loss of $0.5 million, as compared to a gain of $0.5 million in the prior-year period.

Income tax (recovery) expense was a recovery of $1.5 million in Q4 fiscal 2019 as compared to an expense of $0.6 million in Q4 fiscal 2018.

Net (loss) income for Q4 fiscal 2019 was a net loss of $3.0 million or $0.13 per share as compared to net income of $0.7 million in Q4 fiscal 2018 or $0.04 per share.

Other comprehensive loss was $0.5 million in Q4 fiscal 2019 as compared to other comprehensive income of $0.5 for the same period in fiscal 2018. The year-over-year change reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive (loss) income for Q4 fiscal 2019 was a comprehensive loss of $3.4 million, as compared to comprehensive income of $1.2 million in Q4 fiscal 2018.

Twelve-Month Results

For the year ended June 30, 2019, we reported an operating loss of $6.7 million as compared to operating income of $3.3 million in fiscal 2018. The year-over-year change mainly reflects decreased contribution from the Video and Broadband Solutions segment and the Content Delivery and Storage segment, partially offset by increased operating income from the Telematics segment.

Video and Broadband Solutions reported an operating loss of $8.6 million in the current year, as compared to operating income of $0.7 million in fiscal 2018. The year-over-year change reflects the $6.6 million reduction in gross profit and the $2.7 million increase in operating expenses.

Content Delivery and Storage reported operating income of $1.1 million as compared to $2.0 million in fiscal 2018. Although the segment increased gross profit by $9.7 million year-over-year, this was offset by the $10.6 million increase in operating expenses.

Telematics operating income increased to $0.8 million in the year ended June 30, 2019, from $0.5 million in fiscal 2018. The $0.3 million year-over-year change reflects the $0.3 million decrease in operating expenses.

Finance income decreased to $0.9 million in fiscal 2019, from $1.1 million in the previous year reflecting a decrease in short-term investment income due to lower balances year-over-year.

Foreign exchange (loss) gain for the year ended June 30, 2019 was a loss of $0.1 million, compared to a gain of $0.9 million in fiscal 2018.

Income tax (recovery) expense was a recovery of $2.4 million for the year ended June 30, 2019 compared to income tax expense of $1.5 million in the same period of fiscal 2018.

Net income from discontinued operations was $nil for the year ended June 30, 2019 compared to $7.0 million in fiscal 2018. Discontinued operations represent the gain on sale of the YourLink operations in Saskatchewan in Q1 fiscal 2018.

Net (loss) income for the year ended June 30, 2019 was a loss of $3.5 million or $0.15 per share as compared to net income of $10.8 million or $0.48 per share in fiscal 2018. Results from fiscal 2018 included the $7.0 million gain on sale of the YourLink operations in Saskatchewan.

Other comprehensive loss was $0.1 million in the year ended June 30, 2019, as compared to other comprehensive income of $1.1 million in fiscal 2018. The year-over-year change reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive (loss) income for the year ended June 30, 2019 was a comprehensive loss of $3.5 million, compared to comprehensive income of $11.9 million in fiscal 2018.

Operating Activities

For the three months ended June 30, 2019, cash flow from operating activities increased to $2.9 million, from $0.7 million for the three months ended June 30, 2018. The $2.2 million increase reflects a $4.6 million increase in cash flow from non-cash working capital, and a $2.4 million decrease in operating cash flow.

For the year ended June 30, 2019, cash flow from operating activities provided cash of $11.4 million, compared to $21.0 million for the year ended June 30, 2018. The decrease primarily reflects the $3.8 million decrease in cash flow from non-cash working capital and the $5.8 million decrease in operating cash flow.

Investing Activities

For the three months ended June 30, 2019, cash flow used in investing activities decreased to $1.2 million from $2.9 million in the same period last year. This improvement reflects the net sale of short-term investments of $3.6 million (Q4 fiscal 2018 - $2.6 million), deferred development expenditures of $2.9 million (Q4 fiscal 2018 - $4.8 million), purchase of property, plant and equipment of $1.1 million (Q4 fiscal 2018 - $0.6 million) and the $0.8 million acquisition of our ContentAgent business.

For the year ended June 30, 2019, cash flow from investing activities increased to $2.5 million from a use of cash of $16.6 million in fiscal 2018. The cash provided by investing activities represents the net sale of short-term investments of $22.1 million (fiscal 2018 - $39.0 million), deferred development expenditures of $16.1 million (fiscal 2018 - $16.4 million), proceeds from the sale of intangibles of $0.2 million (fiscal 2018 - $nil), and the purchase of property, plant and equipment of $2.9 million (fiscal 2018 - $1.8 million). The prior year included the acquisition of our Content Delivery and Storage business for $37.4 million.

Financing Activities

In the three months ended June 30, 2019, we repaid $0.06 million of our long-term debt (Q4 fiscal 2018 - $0.06 million repaid). We received proceeds from government grants of $0.10 million (Q4 fiscal 2018 - $nil) and we repurchased no common shares (Q4 fiscal 2018 - $0.3 million).

In the year ended June 30, 2019, we repaid $0.3 million of our long-term debt (fiscal 2018 - $0.2 million repaid). We received proceeds from government grants of $0.2 million (fiscal 2018 - $0.1 million). In fiscal 2018, we issued $0.9 million in common shares in exchange for shares in AirIQ Inc. In fiscal 2019, we repurchased common shares for $0.2 million (fiscal 2018 - $0.9 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 that our current cash and short-term investments of $44.4 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future.

As at June 30, 2019, we had access to our full revolving loan facility of $14.0 million ($14.0 million at June 30, 2018), of which $nil was drawn as an operating line of credit (June 30, 2018 - $nil was drawn). We had term credit of $2.0 million as at June 30, 2019 (June 30, 2018 - $2.2 million).

Capital expenditures for fiscal 2019 were $2.9 million, compared to $1.8 million in fiscal 2018. This increase reflects a full year of Content Delivery and Storage operations in fiscal 2019 compared to two quarters in fiscal 2018.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to $58.3 million at June 30, 2019, from $77.4 million at June 30, 2018. This largely reflects the decrease in cash generated from operations and the cash dividend paid in the current year. 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 decreased to $15.2 million at June 30, 2019, from $18.0 million at June 30, 2018. This decrease reflects the decrease in sales in Q4 fiscal 2019 as compared to Q4 fiscal 2018.

Income tax receivable balance decreased to $0.4 million at June 30, 2019 from $2.5 million as at June 30, 2018. On April 1, 2019, we were notified that the Minister of National Revenue had ruled in favour of our Notice of Objection and the issuance of revised reassessments along with refunds plus interest of $2.0 million was received in April 2019.

Inventories decreased by $2.3 million to $12.7 million at June 30, 2019, from $15.0 million as at June 30, 2018. The decrease year-over-year represents the drawdown of our legacy product inventory. Finished goods inventories were $6.0 million at June 30, 2019, compared to $7.5 million at June 30, 2018. Raw material inventory decreased to $5.5 million at June 30, 2019, compared to $6.7 million at June 30, 2018. Work-in-process inventories increased to $1.3 million as at June 30, 2019, from $0.8 million at June 30, 2018. We manufacture and assemble products, with the result that inventory levels will be substantially higher than for other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were $24.4 million at June 30, 2019 up from $22.7 million at June 30, 2018. 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 decreased to $11.7 million at June 30, 2019 compared o $12.2 million at June 30, 2018.

Long-term debt, including the current portion, was $2.0 million at June 30, 2019 compared to $2.2 million at June 30, 2018.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
September 25, 2018	$0.055	October 12, 2018	November 2, 2018
November 6, 2018	$0.055	November 23, 2018	December 17, 2018
February 5, 2019	$0.055	February 22, 2019	March 18, 2019
May 7, 2019	$0.055	May 24, 2019	June 17, 2019

Contractual Obligations

We have lease commitments for production equipment, service vehicles and facilities amounting to $2.0 million within one year, $4.9 million after one year but not more than five years and $nil million thereafter.

Contingencies

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 between 2012 to 2014. The CRA had 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, reviewed the applicable tax law and believed our original treatment of these sales as capital gains was appropriate. We filed a Notice of Objection in March 2017 but to avoid further penalties, paid 50% of the re-assessment. On April 1, 2019, we were notified that the Minister of National Revenue had ruled in favour of our Notice of Objection and the revised reassessments along with refunds plus interest of $2.0 million were received in April 2019.

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 accounts receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchases are in U.S. dollars.

As at June 30, 2019, the exchange rate on the Canadian dollar strengthened to $1.313 against the U.S. dollar from Canadian $1.314 against the U.S. dollar as at June 30, 2018. This $0.001 exchange difference decreased the value of our $45.8 million U.S. dollar net assets by approximately $0.1 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, 2019, we did not have any forward contracts (June 30, 2018 - $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 had leased a building in Saskatoon under a 10-year lease from Dr. Surinder Kumar, the Chairman of Vecima. The lease was entered into in fiscal 2010 at prevailing market rates at that time and expired at the end of March 2019. The rental expense from this transaction was $0.2 million for the year ended June 30, 2019 (June 30, 2018 - $0.2 million).

Proposed Transactions

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

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Use of judgment and estimates are disclosed in Note 3 of the audited consolidated financial statements for the year ended June 30, 2019 as well as in the Business Combination section below in this MD&A.

Accounting Pronouncements and Standards

Adoption of New Accounting Standards in 2019

IFRS 2- Share-based Payments

IFRS 2 clarifies the classification and measurement of cash-settled share-based payment transactions that include a performance condition, share-based payment transactions with a net settlement feature for withholding tax obligations, and modifications of a share-based payment transaction from cash-settled to equity-settled. The amendments to IFRS 2 is effective for annual reporting period beginning on or after January 1, 2018. The adoption of the amendments had no impact on our consolidated financial statements.

IFRS 9 - Financial Instruments: Classification and Measurement

This new accounting standard replaces IAS 39 - Financial Instruments and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). This classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The adoption of IFRS 9 did not change the measurement bases of our financial assets. Derivative instruments measured at FVTPL; and cash and cash equivalents and trade and other receivables measured at amortized cost continue to be measured as such under IFRS 9. The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 applies to financial assets measured at amortized cost and contract assets and requires that we consider factors that include historical, current and forward-looking information when measuring the ECL. We use the simplified approach for measuring losses based on the lifetime ECL for trade receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating expenses in the income statement. Overall, the adoption of IFRS 9 had no significant impact on the consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

This standard replaces IAS 18 – Revenue, IAS 11 – Construction Contracts, and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts, and financial instruments. IFRS 15 requires revenue to be recognized in a manner that depicts the transfer of promised goods and services to a customer and at an amount that reflects consideration expected to be received in exchange for transferring those goods and services. This is achieved by applying the following five steps: 1) Identify the contract(s) with a customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to performance obligations; and 5) Recognize revenue when (or as) performance obligations are satisfied. The Company recognizes revenue when it transfers control over a product or service to a customer. Depending on the performance obligations under the terms of the contract with the customer, revenue recognition can occur at a point-in-time or over time. When the sale consists of multiple components where delivery is over different periods of time, the Company separates the arrangement into its performance obligation components and the transaction price is allocated to the separate identifiable components based on the stand-alone selling price. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.

We adopted IFRS 15 on a modified retrospective approach with the cumulative effect of any adjustments recognized in the opening balance of retained earnings as of July 1, 2018. The comparative information has not been restated and continues to be reported under previous accounting standards. Upon the adoption of IFRS 15, net changes to the following opening balances, as at July 1, 2018, were made: (1) contract assets - $555; (2) contract liabilities - $227; (3) property, plant and equipment - $(430); and retained earnings - $(102). We elected to utilize the practical expedient that allows us to not apply this standard retrospectively for completed contracts as of June 30, 2018.

Standards and Amendments to Standards Issued but not yet Effective

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16. This new standard eliminates the distinction between operating and finance leases for lessees, requiring instead that leases be capitalized by recognizing the present value of the lease payments and showing them either as lease assets ("right-of-use assets") or together with property, plant and equipment. If lease payments are made over time, an entity recognizes a financial liability representing its obligation to make future lease payments. A depreciation charge for the lease assets is recorded within operating costs and an interest expense on the lease liability is recorded within finance costs. IFRS 16 does not substantially change lease accounting for lessors. We will adopt IFRS 16 on July 1, 2019, using a modified retrospective approach whereby the financial statements of prior periods presented will not be restated. The cumulative effect of the initial adoption of IFRS 16 will be reflected as an adjustment to retained earnings at July 1, 2019. We will recognize lease liabilities at July 1, 2019 for leases previously classified as operating leases, the present value of which will be measured using the discount rate at that date. Additionally, on July 1, 2019, the right-of-use assets will also be recognized. As permitted by IFRS 16, we have elected not to recognize lease liabilities and right-of-use assets for short-term leases and will apply certain practical expedients to facilitate the initial adoption and application of IFRS. In particular, we will not separate non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component. We are currently in the process of evaluating the impact of IFRS 16 on the Company's financial statements, and preparing the requisite calculations. Our first fiscal quarter 2020 condensed consolidated financial statements will disclose the results of the impact of IFRS 16.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies the application of recognition and measurement in IAS 12 - Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

IFRS 3 - Business Combinations

In October 2018, the IASB issued an amendment to IFRS 3. The amendment clarifies the definition of a business and assists entities to determine whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and the amendment also provides supplementary guidance. The amendments to IFRS 3 may effect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the identifiable assets acquired and goodwill. We will adopt the standard prospectively.

Disclosure Controls and Procedures

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

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at June 30, 2019.

Internal Control over Financial Reporting

Internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of internal controls. Because of its inherent limitations, internal controls 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, 2019 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, 2019. There has been no change in the internal controls over financial reporting that occurred during the period beginning on April 1, 2019 and ended on June 30, 2019 that has materially affected, or is reasonably likely to materially affect the Company's internal controls on financial reporting

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 ContentAgent business, which we acquired on May 31, 2019. 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 ContentAgent acquisition that was included in our audited consolidated financial statements for the period ended June 30, 2019:

Sales	$	137
Net loss	$	(59)
Current assets	$	464
Non-current assets	$	879
Current liabilities	$	598
Non-current liabilities	$	8

Business Combination

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

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

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

Legal Proceedings

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

If it becomes probable that we will be held liable for claims against our Company, we will recognize a provision during the period in which the change in probability occurs, which could be material to our consolidated statements of 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 these risks occurs, our financial performance, share price, business prospects and financial condition could be materially adversely affected.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by Dr. Kumar through either direct or indirect ownership of the Company's common shares. As at June 30, 2019, Dr. Kumar collectively owned approximately 60.2% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities.

Outstanding Share Data

As at September 24, 2019, we had 22,370,087 common shares outstanding as well as stock options outstanding that are exercisable for an additional 498,500 common shares.

On December 17, 2018, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired no common shares of Vecima for cancellation in Q4 fiscal 2019 and 10,356 common shares in fiscal 2019. The normal course issuer bid expires on December 19, 2019.

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 12,845 common shares in fiscal 2019. The normal course issuer bid expired on November 29, 2018.

Additional Information

Financial Governance

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

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

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

Forward-Looking Information

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

Forward-looking information in this MD&A includes but is not limited to statements that: we are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1 and we expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized; we believe that our customer's need for new systems is nearing saturation, and while we could still see some quarterly fluctuations in demand for TerraceQAM, we are now working with our customer on the next-generation platform; and we believe that our current cash and short-term investments of $44.4 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. Forward looking information also includes our Strategy, our Industry Developments and our Outlook in this MD&A.

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

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking information contained in this MD&A. Known risk factors include, among others: our statement of financial position, as well as the value of our core technologies, business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few key customers; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter to quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; risks associated with our international operations; currency fluctuations may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; government regulation of our products and new government regulation could harm our business; 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

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

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

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

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

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

The consolidated financial statements, for the year ended June 30, 2019, have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Grant Thornton has full and free access to the Audit Committee.

/s/ "Sumit Kumar"
Sumit Kumar
Chief Executive Officer
DATE: September 26, 2019

/s/ "John Hanna"
John Hanna
Chief Financial Officer
DATE: September 26, 2019

Grant Thornton
An instinct for growth™

Independent Auditor's Report

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

T +1 416 366 0100
F +1 416 360 4949

To the Shareholders of Vecima Networks Inc.

Opinion

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

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

Basis for Opinion

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

Other matter

The consolidated financial statements of Vecima Networks Inc. for the year ended June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on September 26, 2018.

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

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

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

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

Grant Thornton LLP

Toronto, Canada	Chartered Professional Accountants
September 24, 2019	Licensed Public Accountants

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

As at June 30,	Notes	2019	2018
Assets			
Current assets			
Cash and cash equivalents	6	$ 19,834	$ 11,034
Short-term investments	7, 28	24,569	46,660
Accounts receivable	8	15,154	18,047
Income tax receivable		437	2,519
Inventories	9	12,724	15,020
Prepaid expenses		2,235	1,608
Contract assets	20(b)	187	-
		75,140	94,888
Non-current assets			
Property, plant and equipment	10	12,526	12,105
Goodwill	11	15,131	14,903
Intangible assets	12	67,887	62,324
Other long-term assets		1,017	788
Investment tax credits	14	24,355	22,692
Deferred tax asset	15	4,714	2,339
		$ 200,770	$ 210,039
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	17	$ 11,699	$ 12,151
Provisions	18	804	520
Income tax payable		55	358
Deferred revenue	20(c)	4,046	4,206
Current portion of long-term debt	19	250	250
		16,854	17,485
Non-current liabilities			
Deferred revenue	20(c)	763	524
Provisions	18	332	352
Deferred tax liability	15	324	414
Long-term debt	19	1,729	1,979
		20,002	20,754
Shareholders' equity			
Share capital	21(a)	1,916	1,756
Reserves		4,104	4,041
Retained earnings		173,738	182,411
Accumulated other comprehensive income		1,010	1,077
		180,768	189,285
		$ 200,770	$ 210,039

Contingent Liability - Note 33; Commitments and Guarantees - Note 34

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 24, 2019 and were signed on its behalf by:

(signed) Kent Elliott
Director

(signed) Ben Colabrese
Director

VECIMA NETWORKS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands of Canadian dollars except net income per share data)

		Years ended June 30,	
	Notes	**2019**	2018
Sales	**26**	**$ 85,032**	$ 78,104
Cost of sales		**40,155**	36,254
Gross profit		**44,877**	41,850
Operating expenses			
Research and development		**18,973**	15,101
Sales and marketing		**14,112**	10,463
General and administrative		**16,596**	13,248
Impairment of intangible assets	**12**	**-**	22
Restructuring costs	**22**	**2,176**	-
Share-based compensation	**21(d)**	**112**	80
Other (income) expense	**23**	**(418)**	(317)
		51,551	38,597
Operating (loss) income		**(6,674)**	3,253
Finance income	**24**	**879**	1,132
Foreign exchange (loss) gain		**(66)**	930
(Loss) income before income taxes		**(5,861)**	5,315
Income tax (recovery) expense	**15**	**(2,402)**	1,532
Net (loss) income from continuing operations		**(3,459)**	3,783
Net income from discontinued operations	**4**	**-**	7,019
Net (loss) income		**(3,459)**	10,802
Other comprehensive (loss) income			
Item that may be subsequently reclassed to net income			
Exchange differences on translating foreign operations		**(67)**	1,077
Comprehensive (loss) income		**$ (3,526)**	$ 11,879
Net (loss) income per share			
Continuing operations		**(0.15)**	0.17
Discontinued operations		**-**	0.31
Total basic net (loss) income per share	**21(a)**	**$ (0.15)**	$ 0.48
Continuing operations		**(0.15)**	0.17
Discontinued operations		**-**	0.31
Total diluted net (loss) income per share	**21(a)**	**$ (0.15)**	$ 0.48
Weighted average number of common shares			
Shares outstanding - basic	**21(a)**	**22,362,031**	22,414,944
Shares outstanding - diluted	**21(a)**	**22,362,031**	22,456,821

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)

	Notes	Share Capital	Reserves	Retained Earnings	Accumulated Other Comprehensive Income	Total
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)
Share 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
Balance as at June 30, 2018		**$ 1,756**	**$ 4,041**	**$ 182,411**	**$ 1,077**	**$ 189,285**
IFRS 15 transition	**2(x)**	**-**	**-**	**(102)**	**-**	**(102)**
Adjusted balance at June 30, 2018		**1,756**	**4,041**	**182,309**	**1,077**	**189,183**
Net loss		-	-	(3,459)	-	(3,459)
Other comprehensive loss		-	-	-	(67)	(67)
Dividends		-	-	(4,920)	-	(4,920)
Share repurchased and cancelled		(2)	-	(192)	-	(194)
Shares issued by exercising options		162	(49)	-	-	113
Share-based payment expense		-	112	-	-	112
Balance as at June 30, 2019		**$ 1,916**	**$ 4,104**	**$ 173,738**	**$ 1,010**	**$ 180,768**

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, 2019	2018
Operating activities			
Net (loss) income from continuing operations		**$ (3,459)**	$ 3,783
Adjustments to reconcile net (loss) income to cash	**31**	**8,413**	9,574
Decrease in other long-term assets		**(10)**	(13)
Increase (decrease) in provisions		**265**	(214)
Increase in investment tax credits		**(67)**	(238)
Net change in non-cash working capital relating to operations	**32**	**3,672**	7,506
Interest paid		**(98)**	(92)
Interest received		**1,047**	1,174
Income tax received		**2,413**	-
Income tax paid		**(741)**	(503)
Increase in long-term contract assets		**7**	-
Cash provided by continuing operations		**11,442**	20,977
Cash provided by discontinued operations		**-**	63
Cash provided by operating activities		**11,442**	21,040
Investing activities			
Purchase of property, plant and equipment	**10**	**(2,868)**	(1,816)
Proceeds from sale of property, plant and equipment		**25**	80
Purchase of short-term investments		**(2,007)**	(54,434)
Proceeds on sale of short-term investments		**24,098**	93,449
Deferred development costs	**12**	**(16,057)**	(16,407)
Purchase of indefinite and finite-life intangible assets	**12**	**(86)**	(134)
Business acquisitions	**5**	**(823)**	(37,379)
Proceeds from the sale of intangible assets		**202**	-
Cash provided by (used in) continuing operations		**2,484**	(16,641)
Cash provided by discontinued operations		**-**	8,732
Cash provided by (used in) investing activities		**2,484**	(7,909)
Financing activities			
Proceeds from government grants	**13**	**221**	49
Repurchase and cancellation of shares		**(194)**	(941)
Repayment of long-term debt		**(250)**	(229)
Dividends paid		**(4,920)**	(4,932)
Proceeds from shares issued through exercised options	**21 (a)**	**113**	9
Proceeds from issuance of share capital	**21 (a)**	**-**	948
Cash used by financing activities		**(5,030)**	(5,096)
Increase in cash and cash equivalents, net		**8,896**	8,035
Effect of change in exchange rates on cash held		**(96)**	(518)
Cash and cash equivalents, beginning of year		**11,034**	3,517
Cash and cash equivalents, end of year	**6**	**$ 19,834**	$ 11,034

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

Table of Contents

1. NATURE OF THE BUSINESS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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

The consolidated financial statements of the Company for each of the years ended June 30, 2019 and 2018, were approved by the Board of Directors and authorized for issue on September 24, 2019.

(b) Basis of Presentation

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

(c) Basis of Consolidation (Subsidiaries)

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

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

(d) Cash and Cash Equivalents

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

(e) Revenue Recognition

This revenue recognition policy should be read in conjunction with Note 2(x) - *Initial Application of New Accounting Standards in the Reporting Period*, which significantly affects the timing of the recognition of revenue and the classification of revenues presented as either product or service revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Revenue Recognition continued

General Policy

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

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

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

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

Recognition of Revenue from Products and Services

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Revenue Recognition continued

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

Rental Income

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

(f) Inventories

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

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

(g) Property, Plant and Equipment

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

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

(h) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) 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 at a nominal cost to the Company. It is expected that the demand and use for these licenses will continue to grow in the foreseeable future. As a result, these assets are assessed as having indefinite lives and as such, are not subject to amortization.

(ii) Finite-life Intangible Assets

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

(j) Government Assistance and Grants

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

(k) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(k) Research and Development continued

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.

(l) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the 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-balance 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.

(m) 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 expenditure on that asset.

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

(n) Impairment

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(n) Impairment continued

Goodwill representing the excess of the purchase price over fair value of the net identifiable assets of acquired businesses is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

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

(o) 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 statements of financial position since it is more consistent with the liability method of accounting for income taxes.

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

(p) Foreign Currency Translation

Functional and Presentation Currency

The Company’s consolidated financial statements are presented in Canadian dollars, which is also the parent entity’s functional currency. Each 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 entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(p) Foreign Currency Translation continued

Foreign Operations

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

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

(q) Financial Instruments

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

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

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

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

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

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

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

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

(r) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(s) 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.

(t) Net (Loss) Income per Share

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

(u) Share-Based Compensation

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

(v) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(w) 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.

With respect to the classification of YourLink as a discontinued operation, the consolidated statements of comprehensive (loss) 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 of disposal.

(in thousands of Canadian dollars except as otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(x) Initial Application of New Accounting Standards in the Reporting Period

Effective July 1, 2018, the Company has applied a number of new and amended IFRS accounting standards issued by the IASB. The following highlights these changes and the impact if any, on the Company's consolidated financial statements.

Standard	Description of New or Amended Accounting Standard	Impact
IFRS 2 - Share-Based Payments ("IFRS 2")	IFRS 2 clarifies the classification and measurement of cash-settled share-based payment transactions that include a performance condition, share-based payment transactions with a net settlement feature for withholding tax obligations, and modifications of a share-based payment transaction from cash-settled to equity-settled. The amendments to IFRS 2 is effective for annual reporting periods beginning on or after January 1, 2018.	The adoption of the amendments had no impact on the Company's consolidated financial statements.
IFRS 9 - Financial Instruments: Classification and Measurement ("IFRS 9")	This new accounting standard replaces IAS 39 - Financial Instruments and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). This classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.	The adoption of IFRS 9 did not change the measurement bases of our financial assets. Derivative instruments measured at FVTPL; and cash and cash equivalents and trade and other receivables measured at amortized cost continue to be measured as such under IFRS 9. The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 applies to financial assets measured at amortized cost and contract assets, and requires that we consider factors that include historical, current and forward-looking information when measuring the ECL. We use the simplified approach for measuring losses based on the lifetime ECL for trade receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating expenses in the income statement. Overall, the adoption of IFRS 9 had no significant impact on the consolidated financial statements.
IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")	This standard replaces IAS 18 – Revenue, IAS 11 – Construction Contracts, and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts, and financial instruments. IFRS 15 requires revenue to be recognized in a manner that depicts the transfer of promised goods and services to a customer and at an amount that reflects consideration expected to be received in exchange for transferring those goods and services. This is achieved by applying the following five steps: 1) Identify the contract(s) with a customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to performance obligations; and 5) Recognize revenue when (or as) performance obligations are satisfied. The Company recognizes revenue when it transfers control over a product or service to a customer. Depending on the performance obligations under the terms of the contract with the customer, revenue recognition can occur at a point-in-time or over time. When the sale consists of multiple components where delivery is over different periods of time, the Company separates the arrangement into its performance obligation components and the transaction price is allocated to the separate identifiable components based on the stand-alone selling price. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.	The Company adopted IFRS 15 on a modified retrospective approach with the cumulative effect of any adjustments recognized in the opening balance of retained earnings as of July 1, 2018. The comparative information has not been restated and continues to be reported under previous accounting standards. The table below provides information about net changes to contract assets and contract liabilities from contracts with customers plus the net adjustment to opening retained earnings upon adoption. The Company has elected to utilize the practical expedient that allows the Company to not apply this standard retrospectively for completed contracts as of June 30, 2018.

(in thousands of Canadian dollars except as otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(x) Initial Application of New Accounting Standards in the Reporting Period continued

		As of June 30, 2018		
	Reference	**As previously reported**	**Adjustments**	**As currently reported**
Assets				
Current assets				
Cash and cash equivalents		$ 11,034	$ -	$ 11,034
Short-term investments		46,660	-	46,660
Accounts receivable		18,047	-	18,047
Income tax receivable		2,519	-	2,519
Inventories		15,020	-	15,020
Prepaid expenses		1,608	-	1,608
Contract assets	i	-	338	338
		94,888	338	95,226
Non-current assets				
Property, plant and equipment	i	12,105	(430)	11,675
Goodwill		14,903	-	14,903
Intangible assets		62,324	-	62,324
Other long-term assets	i	788	217	1,005
Investment tax credits		22,692	-	22,692
Deferred tax asset		2,339	-	2,339
		$ 210,039	$ 125	$ 210,164
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 12,151	$ -	$ 12,151
Provisions		520	-	520
Income taxes payable		358	-	358
Deferred revenue	ii	4,206	(169)	4,037
Current portion of long-term debt		250	-	250
		17,485	(169)	17,316
Non-current liabilities				
Deferred revenue	ii	524	396	920
Provisions		352	-	352
Deferred tax liability		414	-	414
Long-term debt		1,979	-	1,979
		20,754	227	20,981
Shareholders' equity				
Share capital		1,756	-	1,756
Reserves		4,041	-	4,041
Retained earnings		182,411	(102)	182,309
Other comprehensive income		1,077	-	1,077
		189,285	(102)	189,183
		$ 210,039	$ 125	$ 210,164

(in thousands of Canadian dollars except as otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(x) Initial Application of New Accounting Standards in the Reporting Period continued

i. Contract Assets

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

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

Prior to IFRS 15, the Company reported Telematics' beacon equipment under contract, in property, plant and equipment. However, under IFRS, the recognition criteria for identifying contract asset was met, and consequently, the Company reclassed this equipment to contract assets.

ii. Deferred Revenue

The Company records deferred revenue when payment is received from a customer in advance of providing goods and services. The allocation of consideration in multiple element transactions that involves delivery of multiple services and products that occur at different points in time or over different periods of time also results in deferred revenue. Although the underlying transaction economics do not differ, the timing of certain service revenue under IFRS 15 is deferred. Timing of revenue to be recognized relating to unsatisfied performance obligations is included in Note 20.

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on the consolidated statements of comprehensive (loss) income and the consolidated statements of financial position are as follows:

	For the year ended June 30, 2019		
	As reported after adoption of IFRS 15	**Balances prior to adoption of IFRS 15**	**Effect of adoption of IFRS 15**
Consolidated Statement of Comprehensive Loss			
Total revenues	$ 85,032	$ 85,073	$ (41)
Cost of sales	40,155	37,683	2,472
Gross profit	**44,877**	**47,390**	**(2,513)**
General and administrative	16,596	16,596	-
Research and development	18,973	18,973	-
Sales and marketing	14,112	16,593	(2,481)
Other (income) expenses, net	(1,278)	(1,278)	-
Comprehensive loss	**$ (3,526)**	**$ (3,494)**	**$ (32)**

(in thousands of Canadian dollars except as otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(x) Initial Application of New Accounting Standards in the Reporting Period continued

	As at June 30, 2019		
	As reported after adoption of IFRS 15	Balances prior to adoption of IFRS 15	Effect of adoption of IFRS 15
Consolidated Statement of Financial Position			
Contract assets - current	$ 187	$ -	$ 187
Other current assets	74,953	74,953	-
Total current assets	75,140	74,953	187
Property, plant and equipment	12,526	12,786	(260)
Other long-term assets	1,017	806	211
Non-current assets - other	112,087	112,087	-
Total assets	$ 200,770	$ 200,632	$ 138
Deferred revenue - current	$ 4,046	$ 4,199	$ (153)
Other current liabilities	12,808	12,808	-
Total current liabilities	16,854	17,007	(153)
Deferred revenues - non-current	763	338	425
Other non-current liabilities	2,385	2,385	-
Total liabilities	20,002	19,730	272
Shareholders' equity	180,768	180,902	(134)
Total liabilities and shareholders' equity	$ 200,770	$ 200,632	$ 138

(in thousands of Canadian dollars except as otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(y) Accounting Standards Issued but Not Yet Applied

The following new or amended standards and interpretations issued by the IASB have an effective date after June 30, 2019 and have not yet been adopted by the Company.

Standard	Description of New or Amended Accounting Standard	Impact	Effective Date
IFRS 16 - Leases ("IFRS 16")	In January 2016, the IASB issued IFRS 16. This new standard eliminates the distinction between operating and finance leases for lessees, requiring instead that leases be capitalized by recognizing the present value of the lease payments and showing them either as lease assets ("right-of-use assets") or together with property, plant and equipment. If lease payments are made over time, an entity recognizes a financial liability representing its obligation to make future lease payments. A depreciation charge for the lease assets is recorded within operating costs and an interest expense on the lease liability is recorded within finance costs. IFRS 16 does not substantially change lease accounting for lessors.	We will adopt IFRS 16 on July 1, 2019, using a modified retrospective approach whereby the financial statements of prior periods presented are not restated. The cumulative effect of the initial adoption of IFRS 16 will be reflected as an adjustment to retained earnings at July 1, 2019. We will recognize lease liabilities at July 1, 2019 for leases previously classified as operating leases, the present value of which will be measured using the discount rate at that date. Additionally, on July 1, 2019, the right-of-use assets will also be recognized. As permitted by IFRS 16, we have elected not to recognize lease liabilities and right-of-use assets for short-term leases and will apply certain practical expedients to facilitate the initial adoption and application of IFRS. In particular, we will not separate non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component. We are currently in the process of evaluating the impact of IFRS 16 on the Company's financial statements, and preparing the requisite calculations. Our first quarter 2020 condensed consolidated financial statements will disclose the expected results of the impact of IFRS 16.	Annual reporting periods beginning on or after January 1, 2019, using a modified retrospective approach.
IFRIC 23 - Uncertainty over Income Tax Treatments ("IFRIC 23")	In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies the application of recognition and measurement in IAS 12 - Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.	The Company is currently reviewing the standard to determine the potential impact on our consolidated financial statements.	Annual reporting periods beginning on or after January 1, 2019, using a full retrospective approach.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(y) Accounting Standards Issued but Not Yet Applied continued

Standard	Description of New or Amended Accounting Standard	Impact	Effective Date
IFRS 3 - Business Combinations ("IFRS 3")	In October 2018, the IASB issued an amendment to IFRS 3. The amendment clarifies the definition of a business and assists entities to determine whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also to provide supplementary guidance.	The amendment to IFRS 3 may effect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the identifiable assets acquired and goodwill. The Company will adopt the standard prospectively.	Prospectively for acquisitions made on or after January 1, 2020, with early adoption permitted.

3. USE OF JUDGMENT AND ESTIMATES

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

(a) Use of Judgment

Functional Currency

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

The sales of Vecima Networks Inc., and Vecima Networks (USA) Inc. 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.

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

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

3. USE OF JUDGMENT AND ESTIMATES continued

(a) Use of Judgment continued

Revenue from Contracts with Customers and Deferred Revenue

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

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

Deferred Development Costs

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

(b) Use of Estimates

Impairment of Non-Financial Assets

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

Share-Based Compensation

The Company measures the cost of share-based compensation transactions with reference to the fair value of the options issued at the date they were granted. Estimated fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option and the volatility. The assumptions and models used for estimating fair value for share-based compensation are disclosed in Note 21(d).

Taxes

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

(in thousands of Canadian dollars except as otherwise noted)

3. USE OF JUDGMENT AND ESTIMATES continued

(b) Use of Estimates continued

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 ("IFRS 3"). The purchase price allocation process requires the Company to use significant estimates and assumptions, including fair value estimates, as of the acquisition date. Refer to Note 5 for the Company's accounting policy for business combinations.

Other Areas

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

Financial results attributable to the YourLink business have been presented as discontinued operations.

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

	2019	2018
Operating expenses	**$ -**	$ (9)
Other income (expense) and finance income (costs)	**-**	14
Income from discontinued operations before income tax expense	**-**	5
Income tax expense	**-**	(1)
Income from discontinued operations before gain on sale of assets	**-**	4
Gain on sale of assets	**-**	8,109
Income tax expense on gain on sale of assets (Note 15)	**-**	(1,094)
Income from discontinued operations	**$ -**	$ 7,019

(in thousands of Canadian dollars except as otherwise noted)

5. BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

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

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

(in thousands of Canadian dollars except as otherwise noted)

5. BUSINESS COMBINATIONS continued

Had the business combination been effective July 1, 2018, the consolidated sales of the Company would have been $86,841 and the net loss would have been $(3,925). Management considers these "pro-forma" numbers 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, which arose on the acquisition date would have been the same, in all material respects, if the acquisition had occurred on July 1, 2018.

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.

As part of the Company's process for determining the fair value of the net assets acquired, the Company engaged third-party valuation specialists.

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

		June 30, 2018
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.

(in thousands of Canadian dollars except as otherwise noted)

5. BUSINESS COMBINATIONS continued

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, which arose on the acquisition date would have been the same, in all material respects, if the acquisition had occurred on July 1, 2017.

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	June 30, 2018
Cash at banks and on hand	**$ 5,361**	$ 8,071
Short-term deposits	**14,473**	2,963
	$ 19,834	$ 11,034

7. SHORT-TERM INVESTMENTS

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

8. ACCOUNTS RECEIVABLE

	June 30, 2019	June 30, 2018
Trade receivables	**$ 13,943**	$ 17,719
Less: allowance for doubtful accounts	**(58)**	(8)
	13,885	17,711
Goods and services tax	**542**	271
Government grants receivable	**258**	1
Leasehold improvement incentives	**335**	-
Other receivables	**134**	64
	$ 15,154	$ 18,047

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.

The government grant receivable for the year ended June 30, 2019 includes a research and development tax credit from the State of Georgia in the amount of $247 (June 30, 2018 - $nil). Refer to Note 13 - *Government Grants* for further details.

(in thousands of Canadian dollars except as otherwise noted)

8. ACCOUNTS RECEIVABLE continued

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

Allowance for Doubtful Accounts		
Opening allowance for doubtful accounts, July 1, 2017	$	35
Charge		6
Write-offs		(5)
Reverse allowance		(28)
Balance, June 30, 2018		8
Charge		54
Write-offs		(4)
Balance, June 30, 2019	**$**	**58**

9. INVENTORIES

		June 30, 2019		June 30, 2018
Raw materials	**$**	**5,481**	$	6,707
Work in progress		**1,292**		799
Finished goods		**5,951**		7,514
	$	**12,724**	$	15,020

During the year ended June 30, 2019, inventories of $28,728 (year ended June 30, 2018 - $30,151) were expensed through cost of sales. Write-downs of inventory that were included in the cost of sales for the year ended June 30, 2019 were $1,159 (year ended June 30, 2018 - $494). Write-downs of inventory that were included in sales and marketing for the year ended June 30, 2019 were $1,004 (year ended June 30, 2018 - $1,008). Reversals of write-downs were $59 during the year ended June 30, 2019 (year ended June 30, 2018 - $75). For the year ended June 30, 2019, the carrying amount of inventory recorded at net realizable value was $1,256 (year ended June 30, 2018 - $1,107) with the remaining inventory recorded at cost.

(in thousands of Canadian dollars except as otherwise noted)

10. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land	Land Improvements & Building	Lab, Operating & Production Equipment	Other Equipment[1]	Total
Cost						
At July 1, 2017		$ 621	$ 8,546	$ 18,030	$ 10,358	$ 37,555
Additions		-	118	1,380	318	1,816
Business acquisition	**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
IFRS 15 transition	**2(x)**	-	-	(956)	-	(956)
Adjusted opening balance		621	8,710	19,056	10,892	39,279
Additions		-	835	1,868	779	3,482
Disposals		-	(109)	(2,362)	(319)	(2,790)
Business acquisition	**5**	-	-	-	11	11
Effect of foreign exchange		-	(9)	(14)	12	(11)
At June 30, 2019		**621**	**9,427**	**18,548**	**11,375**	**39,971**
Accumulated depreciation and impairment						
At July 1, 2017		-	2,725	14,116	9,605	26,446
Depreciation charge		-	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
IFRS 15 transition	**2(x)**	-	-	(526)	-	(526)
Adjusted opening balance		-	3,025	14,571	10,008	27,604
Depreciation charge		-	240	1,692	407	2,339
Disposals		-	(106)	(2,088)	(290)	(2,484)
Effect of foreign exchange		-	-	(8)	(6)	(14)
At June 30, 2019		**-**	**3,159**	**14,167**	**10,119**	**27,445**
Carrying amount						
At June 30, 2018		$ 621	$ 5,685	$ 4,915	$ 884	$ 12,105
At June 30, 2019		**$ 621**	**$ 6,268**	**$ 4,381**	**$ 1,256**	**$ 12,526**

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

Additions for the year ended June 30, 2019 were $3,482 (June 30, 2018 - $1,816), of which $2,868 was acquired for cash consideration (June 30, 2018 - $1,816) and $614 for non-cash consideration (June 30, 2018 - $nil). The non-cash additions relate to leasehold improvements that were covered by leasehold incentives.

(in thousands of Canadian dollars except as otherwise noted)

10. PROPERTY, PLANT AND EQUIPMENT continued

The following estimated useful lives have been applied to property, plant and equipment assets at June 30, 2019 and June 30, 2018:

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

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

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

	Years ended June 30, 2019	2018
Cost of sales	**$ 336**	$ 582
Research and development	**702**	627
Sales and marketing	**439**	236
General and administrative	**862**	961
Depreciation for the year	**$ 2,339**	$ 2,406

There were no impairment losses or recoveries during the years ended June 30, 2019 or 2018.

Land and land improvements, and buildings include property, plant and equipment that are classified as investment properties in accordance with IAS 40. Collectively, the investment properties' fair value exceeds their gross carrying amount. Investment properties include land with a gross carrying amount of $301 and accumulated depreciation of $nil as at June 30, 2019 and June 30, 2018. Investment properties' improvements and buildings had a gross carrying amount of $430 and accumulated depreciation of $170 as at June 30, 2019 ($431 and $156 respectively, as at June 30, 2018). The fair value of the investment properties at June 30, 2019 was $1,262 (June 30, 2018 - $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. For the year ended June 30, 2019, income earned from the investment properties was $126 with direct expenses of $37 (June 30, 2019 - $144 and $59, respectively).

11. GOODWILL

	Notes	
At July 1, 2017		$ 6,111
Business acquisition	**5**	8,420
Effect of foreign exchange		372
At June 30, 2018		14,903
Business acquisition	**5**	242
Effect of foreign exchange		(14)
At June 30, 2019		**$ 15,131**

For the year ended June 30, 2019, goodwill includes $3,334 attributable to brand (June 30, 2018 - $3,337).

11. GOODWILL continued

Impairment Testing of Goodwill

For the purposes of impairment testing at the end of the reporting period, the indefinite-life intangible assets and goodwill are allocated to cash generating units (CGU's), which represent the lowest level at which indefinite-life intangible assets are monitored for internal management purposes. The Company's recorded goodwill has a carrying value which consists of $6,111 relating to the Telematics segment, $9,020 relating to the Content Delivery and Storage segment (June 30, 2018 - $6,111 and $8,792, respectively). The recoverable amount of the segment and the associated CGU's are based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering the next fiscal year, extrapolated based on projected growth and achieving key operating objectives for a period of less than five years. There is a material degree of uncertainty with respect to the estimates of the recoverable amount of the cash generating units' assets given the necessity of making key economic assumptions about the future.

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

(in thousands of Canadian dollars except as otherwise noted)

12. INTANGIBLE ASSETS

		Indefinite-Life Intangible Assets	Finite-Life Intangible Assets				
	Notes	Spectrum and Other Licenses	Customer Contracts	Patents	Intellectual Property	Deferred Development Costs	Total
Cost							
At July 1, 2017		$ 60	$ 4,909	$ 438	$ 3,290	$ 35,226	$ 43,923
Additions		-	-	108	26	16,407	16,541
Government grant	13	-	-	-	-	(49)	(49)
Business acquisition	5	44	14,961	120	6,392	-	21,517
Investment tax credits	14	-	-	-	-	(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
Additions		-	-	47	39	16,057	16,143
Business acquisition	5	-	363	-	303	-	666
Government grant	13	-	-	-	-	(232)	(232)
Investment tax credits	14	-	-	-	-	(1,654)	(1,654)
Writedown, fully amortized		-	-	(50)	-	-	(50)
Effect of foreign exchange		(1)	(25)	(1)	(16)	(24)	(67)
At June 30, 2019		**105**	**20,866**	**644**	**10,316**	**60,521**	**92,452**
Amortization and impairment							
At July 1, 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
Amortization recognized		-	2,351	69	1,382	5,529	9,331
Writedown, fully amortized		-	-	(50)	-	-	(50)
Effect of foreign exchange		-	(16)	-	(9)	(13)	(38)
At June 30, 2019		**$ -**	**$ 4,374**	**$ 385**	**$ 3,012**	**$ 16,794**	**$ 24,565**
Net book value							
At June 30, 2018		$ 106	$ 18,489	$ 282	$ 8,351	$ 35,096	$ 62,324
At June 30, 2019		**$ 105**	**$ 16,492**	**$ 259**	**$ 7,304**	**$ 43,727**	**$ 67,887**

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

The aggregate amount of research and development expenditures during the year ending June 30, 2019 was $29,336 (June 30, 2018 - $27,469).

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

12. INTANGIBLE ASSETS continued

There were no impairment losses recorded on deferred development costs during the year ended June 30, 2019 (June 30, 2018 - $22).

13. GOVERNMENT GRANTS

In December 2016 and December 2018, the Company entered into non-repayable contribution agreements with the National Research Council Canada as represented by its Industrial Research Assistance Program ("IRAP") for total funding of $680 to finance research and development projects. During the year ending June 30, 2019, the Company recognized $232 (June 30, 2018 - $49) in non-repayable government assistance relating to IRAP; $232 (June 30, 2018 - $49) was recorded as a reduction to intangible assets; and $nil (June 30, 2018 - $nil) was recorded as a reduction to research and development expenses. At June 30, 2019, the Company had accounts receivable relating to IRAP of $11 (June 30, 2018 - $nil).

In the third quarter of 2019, the Company applied for a research and development tax credit with the State of Georgia, in the amount of $285, which related to the 2018 fiscal period. The application for the tax credit was submitted in February 2019, with the Company's 2018 state corporate tax return. In March 2019, we received confirmation that our application for the tax credit was approved. The tax credit allows the Company to incrementally offset its state payroll tax withholdings each pay period, until the tax credit is used. The tax credit is not dependent upon the Company having taxable income in the State of Georgia, and is not considered part of income taxes. We reported the original tax credit amount in the third quarter of 2019 as a government grant receivable in the amount of $285, with a corresponding offset to accrued liabilities. As of June 30, 2019, the government grant receivable was $247. The payroll tax withholding liability and the government grant receivable were reduced by $38, and the accrued liabilities and operating expenses were also reduced by $38 for the year ended June 30, 2019. The Company expects to fully utilize this tax credit within 12 months, and all amounts reported on the consolidated statements of financial position are shown as either a current asset or current liability.

14. INVESTMENT TAX CREDITS

During the year ended June 30, 2019, the Company recorded investment tax credits of $1,721 (2018 - $2,892), with a $1,654 (2018 - $2,655) reduction to deferred development costs and $67 (2018 - $237) reduction to research and development expenses. Investment tax credits expire between 2030 and 2039.

(in thousands of Canadian dollars except as otherwise noted)

15. INCOME TAXES

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

		June 30, 2019		June 30, 2018
Provision for warranties	**$**	**112**	$	120
Non-capital losses		**865**		20
Property, plant and equipment		**1,511**		1,353
Research and development expenditures		**11,633**		9,523
Accrued expenses		**611**		228
Unrealized foreign exchange losses (gains)		**149**		(572)
Intangible assets		**(10,615)**		(8,843)
Other		**124**		96
Net total deferred tax asset		**4,390**		1,925
Deferred tax asset		**4,714**		2,339
Deferred tax liability	**$**	**(324)**	$	(414)

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

	Years ended June 30,					
	2019			2018		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
Income tax expense (recovery)	**$ 70**	**$ -**	**$ 70**	$ (509)	$ 1,094	$ 585
Deferred income tax (recovery) expense	**(2,472)**	**-**	**(2,472)**	2,041	-	2,041
	$ (2,402)	**$ -**	**$ (2,402)**	$ 1,532	$ 1,094	$ 2,626

There were no income taxes booked to equity in the year (2018 - $nil).

(in thousands of Canadian dollars except as otherwise noted)

15. 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, 2019	2018
(Loss) income before income taxes	**$ (5,861)**	$ 5,315
Substantively enacted tax rates	**25.4 %**	25.4 %
Tax computed at Canadian statutory income tax rates	**(1,489)**	1,350
Differences in substantively enacted future rates	**(94)**	(41)
Foreign tax rate differential	**(2)**	106
Expenses not deductible for tax purposes[1]	**57**	41
Non-taxable portion of unrealized foreign exchange gains[1]	**1**	(85)
Federal and state tax credits	**(608)**	-
Other	**(267)**	161
Total income tax expense	**(2,402)**	1,532
Effective income tax rate	**(41.0)%**	28.8 %

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

16. SHORT-TERM BORROWINGS

The Company maintains an authorized line of credit of $14,000 (June 30, 2018 - $14,000) of which $nil was drawn on June 30, 2019 (June 30, 2018 - $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, 2019 was 3.95% (June 30, 2018 - 3.45%).

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2019	June 30, 2018
Accounts payable	**$ 4,792**	$ 4,684
Accrued liabilities	**6,907**	7,467
	$ 11,699	$ 12,151

The carrying value of accounts payable and accrued liabilities and short-term finance lease 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)

18. PROVISIONS

	Warranty	Restructuring Costs	Other	Total
At July 1, 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
Additions during the year	399	157	284	840
Amounts utilized	(455)	-	(106)	(561)
Unused amounts reversed	-	-	(11)	(11)
Effect of foreign exchange	1	-	(5)	(4)
At June 30, 2019	**$ 349**	**$ 157**	**$ 630**	**$ 1,136**
Less: current portion	**$ 349**	**$ 157**	**$ 298**	**$ 804**
Long-term portion	**$ -**	**$ -**	**$ 332**	**$ 332**

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

19. LONG-TERM DEBT

	June 30, 2019	June 30, 2018
Term credit facility	**$ 1,979**	$ 2,229
Less: current portion	**(250)**	(250)
	$ 1,729	$ 1,979

The term credit facility is from a Canadian chartered bank, repayable in monthly installments of $21 principal and interest at prime of 3.95% at June 30, 2019 (3.45% at June 30, 2018), expires in October 2020 and is collateralized by a general security agreement. The Company has an authorized loan amount of $3,792 and has renewed this facility with the bank annually.

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 at the time of the renewal:

2020	$ 250
2021	250
2022	250
2023	250
2024	250
Remaining	729
	$ 1,979

(in thousands of Canadian dollars except as otherwise noted)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated Revenue

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

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

(b) Contract assets

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

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

	Notes	**June 30, 2019**
Balance, July 1, 2018		**$ -**
IFRS transition 15	**2(x)**	**555**
Adjusted opening balance		**555**
Net additions arising from operations		**249**
Amounts billed in period and reclassified as accounts receivable		**(176)**
Deferred cost recognized as expense in the period		**(230)**
Balance, June 30, 2019		**398**
To be billed and reclassified to accounts receivable during the next 12 months		**23**
Deferred costs to be recognized as expense during the next 12 months		**164**
Thereafter		**211**
		$ 398

20. REVENUE FROM CONTRACTS WITH CUSTOMERS continued

(c) Deferred revenue

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

	Notes		June 30, 2019
Balance, July 1, 2018		$	4,730
IFRS transition 15	2(x)		227
Adjusted opening balance			4,957
Revenue deferred in previous period and recognized in current period			(4,000)
Business acquisition	5		143
Net additions arising from operations			3,714
Effect of changes in foreign currency exchange rates			(5)
Balance, June 30, 2019		$	4,809
Revenue to be recognized in the future:			
Within one year		$	4,046
Between two to five years			763
Total		$	4,809

21. SHARE CAPITAL

(a) Share capital

(in thousands of Canadian dollars except common share data)

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

	Number of Shares		Carrying Value
Balance at July 1, 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
Shares issued by exercising options	16,000		162
Shares repurchased and cancelled	(23,201)		(2)
Balance at June 30, 2019	**22,370,087**	**$**	**1,916**

(in thousands of Canadian dollars except as otherwise noted)

21. SHARE CAPITAL continued

The Company issued 16,000 shares through the exercise of options during the year ended June 30, 2019 (June 30, 2018 - 3,009).

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

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

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

	Years ended June 30,	
	2019	2018
Net (loss) income: basic and diluted	**$ (3,459)**	$ 10,802
Weighted average number of shares outstanding:		
Basic	**22,362,031**	22,414,944
Dilutive stock options	**-**	41,877
Diluted	**22,362,031**	22,456,821
Net (loss) income per share: basic	**$ (0.15)**	$ 0.48
Net (loss) income per share: diluted	**$ (0.15)**	$ 0.48

Stock options could potentially dilute basic net (loss) income per share in the future. Options to purchase 428,065 common shares were vested and outstanding at June 30, 2019 (June 30, 2018 - 417,863). Dilutive stock options are calculated using the treasury stock method. For the year ended June 30, 2019, any conversion effect of stock options were anti-dilutive and have been excluded from the calculation of diluted (loss) income per share.

(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)

21. SHARE CAPITAL continued

(c) Stock option plan continued

The changes in options and the number of options outstanding for the years ended June 30, 2019 and 2018 are as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding, July 1, 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
Granted	13,000		9.10
Canceled	(12,991)		9.81
Exercised	(16,000)		7.09
Outstanding, June 30, 2019	**502,500**	**$**	**8.95**
Vested and exercisable	**428,065**	**$**	**8.86**

At June 30, 2019, the exercise prices range from $8.62 to $10.91 with the weighted average exercise price being $8.95. The options outstanding at June 30, 2019 have a weighted average contractual life of 2.17 years.

	Options Outstanding				Options Exercisable		
	Number	Weighted Average Remaining Life		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
$8.62	361,500	1.48	$	8.62	361,500	$	8.62
$8.63 to $10.15	105,000	4.43		9.50	35,377		9.69
$10.16 to $10.91	36,000	2.52		10.74	31,188		10.74
	502,500	2.17	$	8.95	428,065	$	8.86

(d) Share-based compensation

For all stock options granted, the Company determined compensation expense based on the estimated fair values at the grant date of the stock options using the Black-Scholes and binomial option-pricing models. The estimated fair value of the stock options is amortized to share-based compensation over the vesting period of the options. The share-based compensation expense was $112 for the year ended June 30, 2019 (June 30, 2018 - $80).

(in thousands of Canadian dollars except as otherwise noted)

21. SHARE CAPITAL continued

The weighted average estimated fair value for the common share options granted in the year was $25 (June 30, 2018 - $191). Management used the following assumptions within the Black-Scholes option-pricing model:

Weighted average share price	$ 9.10
Expected option life	6.00 years
Risk-free rate of return	2.43%
Volatility factor	27.73%
Expected dividends	2.42%
Forfeiture rate	2.07%

22. RESTRUCTURING COSTS

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

23. OTHER (INCOME) EXPENSE

	Years ended June 30, 2019	2018
Loss on sale of property, plant and equipment	**$ 82**	$ 95
Gain on sale of intangible assets	**(202)**	-
Lease revenue	**(326)**	(402)
Other	**28**	(10)
	$ (418)	$ (317)

24. FINANCE INCOME (EXPENSE)

	Years ended June 30, 2019	2018
Interest income	**$ 1,047**	$ 1,174
Operating line interest	**(16)**	(16)
Term credit interest	**(81)**	(76)
Other	**(71)**	50
	$ 879	$ 1,132

(in thousands of Canadian dollars except as otherwise noted)

25. ADDITIONAL EXPENSE INFORMATION

Depreciation and amortization included in cost of sales and operating expenses

	Years ended June 30, 2019	2018
Depreciation of property, plant and equipment	**$ 2,339**	$ 2,406
Amortization of intangible assets	**3,802**	2,294
Amortization of deferred development costs	**5,529**	4,227
	$ 11,670	$ 8,927

Employee benefit expenses included in cost of sales and operating expenses

	Years ended June 30, 2019	2018
Wages and salaries	**$ 39,771**	$ 33,742
Employee deferred profit sharing plan	**1,213**	1,052
Health care benefits	**1,994**	1,396
	$ 42,978	$ 36,190

(in thousands of Canadian dollars except as otherwise noted)

26. SEGMENTED FINANCIAL INFORMATION

The Company's operations are organized into business units based on how the business is managed and has three reportable segments. The Video and Broadband Solutions segment designs, develops and distributes electronic communications products to cable and telecommunication markets. The Content Delivery and Storage segment develops advanced applications focused on storing, protecting, and transforming and delivering visual media. The Telematics segment designs, develops and distributes fleet management products. The Discontinued Operations segment represents the YourLink business which provided cable television and internet services in British Columbia and Saskatchewan. The sale of YourLink was completed in the prior year (Note 4). Inter-segment transactions take place at terms that approximate fair values. The majority of the Company's operations, employees and assets are located in Canada and the United States. The following key financial information for the operation of these segments is highlighted below:

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

(in thousands of Canadian dollars except as otherwise noted)

26. SEGMENTED FINANCIAL INFORMATION continued

	Year ended June 30, 2018					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Discontinued Operations	Inter-Segment	Total
Sales	$ 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**

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

Geographical

	Years ended June 30,	
	2019	2018
Sales to external customers		
United States	**$ 61,066**	$ 64,689
Canada	**14,253**	7,377
Europe	**5,264**	1,652
Japan	**3,434**	4,071
Other	**1,015**	315
	$ 85,032	$ 78,104

(in thousands of Canadian dollars except as otherwise noted)

26. SEGMENTED FINANCIAL INFORMATION continued

		June 30, 2019		June 30, 2018
Non-current assets				
United States	$	33,029	$	32,226
Canada		90,419		81,656
Europe		946		38
Japan		1,236		1,231
	$	125,630	$	115,151

	Years ended June 30,			
		2019		2018
Sales to major customers accounting for more than 10% of sales				
Customer A	$	18,971	$	17,157
Customer B		10,546		28,969
Customer C		9,933		-
	$	39,450	$	46,126

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

27. RELATED PARTY TRANSACTIONS

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

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

		% equity interest
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

(in thousands of Canadian dollars except as otherwise noted)

27. RELATED PARTY TRANSACTIONS continued

Compensation of key management personnel of the Company:

	Years ended June 30, 2019	2018
Salaries and short-term employee benefits	**$ 1,190**	$ 924
Post-employment pension	**33**	34
Share-based compensation	**17**	13
	$ 1,240	$ 971

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

No stock options were awarded to key management personnel in the year ended June 30, 2019 (2018 - nil). As stock options awarded are granted for six years, with vesting based on performance and are equity settled, the expense is recognized rateably over a period of years and thus only a portion of the awards are included in the table above.

The Company leased a building in Saskatoon under a ten-year lease from Dr. Surinder Kumar at the prevailing market rate, at the commencement of the lease, of $10.00 per square foot. The lease expired in March 2019. The rental expense relating to this transaction was $211 for the year ended June 30, 2019 (year ended June 30, 2018 - $282).

28. 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); and

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, 2019	**Total**	**Level 1**	**Level 2**	**Level 3**
Short-term investments	**$ 24,569**	**$ 24,569**	**$ -**	**$ -**

June 30, 2018	Total	Level 1	Level 2	Level 3
Short-term investments	$ 46,660	$ 46,660	$ -	$ -

During the years ending June 30, 2019 and June 30, 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Financial Risks

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)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT continued

Credit Risk

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

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

As at June 30, 2019, the weighted average age of customer accounts receivable was 34 days (June 30, 2018 - 32 days); and the weighted average age of past-due accounts receivable approximated 61 days (June 30, 2018 - 61 days). Accounts are considered to be past due when customers have failed to make the required payments by their contractually agreed upon due date.

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

	June 30, 2019	June 30, 2018
Current	**$ 11,980**	$ 15,845
31 to 60 days	**1,233**	930
61 to 90 days	**513**	419
Over 90 days	**159**	517
	$ 13,885	$ 17,711

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

The Company has an allowance for doubtful accounts at June 30, 2019 of $58 (June 30, 2018 - $8). At June 30, 2019, the Company had three major customers (June 30, 2018 - three) who accounted for approximately 42% (June 30, 2018 - 51%) of the year-end accounts receivable balance. Customer contract assets that are not considered to be impaired within the next 12 months are $23 and long-term are $375.

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, 2019, the remaining amount available to be drawn under this credit facility is $14,000.

(in thousands of Canadian dollars except as otherwise noted)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT continued

Liquidity Risk continued

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

	Carrying Amount of Liability	Payments due within 1 year	Payments due within 1-3 years	Payments due within Thereafter
Accounts payable and accrued liabilities	$ 11,699	$ 11,699	$ -	$ -
Current and long-term debt obligations	1,979	250	750	979
	$ 13,678	$ 11,949	$ 750	$ 979

Currency Risk

Approximately 94% (June 30, 2018 - 95%) of the Company's sales are denominated in U.S. dollars. The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures of the exchange rates for the Canadian dollar. These contracts are recognized in the consolidated statements of financial position at their fair value, with changes in fair value recorded in the consolidated statements of comprehensive (loss) income in foreign exchange gains (loss). The Company has not entered into any forward foreign exchange contracts for the year ended June 30, 2019, and therefore, has no realized or unrealized exchange gains or losses (June 30, 2018 - $nil).

For the year ended June 30, 2019, 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 $284 (June 30, 2018 - $357) higher or lower; and net income after income taxes would have been $212 (June 30, 2018 - $266) 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 $332 change to net income before income taxes and a $248 change to net income after income taxes for the year ended June 30, 2019 (June 30, 2018 - $711 and $530, respectively).

30. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are to maintain financial flexibility while managing its cost of optimizing access to capital. The Company defines its capital as current and long-term debt and shareholders' equity. The Company's capital as at June 30, 2019 was $182,747 (June 30, 2018 - $191,514). 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.

(in thousands of Canadian dollars except as otherwise noted)

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

	Notes	Years ended June 30, 2019	2018
Loss on sale of property, plant and equipment	23	$ 82	$ 95
Impairment of intangible assets	12	-	22
Gain on sale of intangible assets		(202)	-
Depreciation of property, plant and equipment	10	2,339	2,406
Amortization of intangible assets	12	3,802	2,294
Amortization of deferred development costs	12	5,529	4,227
Share-based compensation	21(d)	112	80
Income tax (recovery) expense	15	70	(509)
Deferred income tax expense	15	(2,472)	2,041
Interest expense		200	92
Interest income	24	(1,047)	(1,174)
		$ 8,413	$ 9,574

32. 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, 2019	2018
Increase (decrease) in current assets		
Accounts receivable	$ 2,987	$ 3,729
Inventories	2,515	1,638
Prepaid expenses	(428)	263
Income tax receivable	95	(2)
Contract asset	151	-
	5,320	5,628
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(1,353)	2,071
Deferred revenue	(295)	(193)
	(1,648)	1,878
	$ 3,672	$ 7,506

33. CONTINGENT LIABILITY

In March 2017, the Company received a re-assessment from the Canada Revenue Agency ("CRA") regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on its 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of $1,289. The Company and its advisors have reviewed the applicable tax law and believe its original treatment of these SR&ED claims was appropriate. The Company filed a Notice of Objection in the fourth quarter of the 2017 fiscal period in regards to this matter. The Company has reviewed this matter at year-end and no provision has been recognized in the financial statements.

(in thousands of Canadian dollars except as otherwise noted)

34. 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, 2019		June 30, 2018
Within one year	**$**	**2,011**	$	1,710
After one year but not more than five years		**4,866**		1,553
	$	**6,877**	$	3,263

35. COMPARATIVE FIGURES

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