CALIAN®

Group Ltd.

Unaudited Interim Condensed Consolidated Financial Statements

For the three month period ended December 31, 2019

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and September 30, 2019
(Canadian dollars in thousands)

	NOTES	December 31, 2019	September 30, 2019
ASSETS			
CURRENT ASSETS			
Cash		$ 14,395	$ 17,135
Accounts receivable	5	69,576	63,977
Work in process		52,075	39,221
Inventory	6	3,691	3,147
Prepaid expenses	7	4,958	5,403
Derivative assets	22	866	96
Total current assets		145,561	128,979
NON-CURRENT ASSETS			
Capitalized research and development	9	3,875	3,216
Equipment	9	10,820	10,965
Application software	9	1,033	1,013
Right of use asset	10	18,133	-
Investment and loan receivable	11	670	452
Acquired intangible assets	12	15,810	16,699
Goodwill		33,702	33,702
Total non-current assets		84,043	66,047
TOTAL ASSETS		$ 229,604	$ 195,026
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Line of Credit	16	$ 26,195	$ 13,000
Accounts payable and accrued liabilities	13	41,952	45,058
Contingent earn-out	14	6,526	800
Provisions	15	1,201	1,129
Unearned contract revenue	8	8,754	8,778
Derivative liabilities	22	354	143
Lease obligations	10	2,549	-
Total current liabilities		87,531	68,908
NON-CURRENT LIABILITIES			
Lease obligations	10	17,470	-
Contingent earn-out	14	-	5,519
Deferred tax liabilities		5,532	5,525
Total non-current liabilities		23,002	11,044
TOTAL LIABILITIES		110,533	79,952
SHAREHOLDERS' EQUITY			
Issued capital	17	33,727	32,515
Contributed surplus		1,595	1,817
Retained earnings		83,709	81,608
Accumulated other comprehensive income (loss)		40	(866)
TOTAL SHAREHOLDERS' EQUITY		119,071	115,074
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 229,604	$ 195,026
Number of common shares issued and outstanding	17	7,970,764	7,929,238

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the quarters ended December 31, 2019 and 2018
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31, 2019	2018
Revenue			
Advanced Technologies		$ 40,043	$ 23,814
Health		30,010	27,350
Learning		15,108	15,850
Information Technology		14,083	12,907
Total Revenue	19	99,244	79,921
Cost of revenues		78,989	63,077
Gross profit		20,255	16,844
Selling and marketing		2,777	2,463
General and administration	26	8,658	8,415
Research and development	26	414	279
Profit before under noted items		8,406	5,687
Depreciation of equipment and application software	9	572	495
Depreciation of right of use asset	10	671	-
Amortization of acquired intangible assets	12	889	280
Other changes in fair value	11	(101)	-
Changes in fair value related to contingent earn-out	14	207	142
Profit before interest income and income tax expense		6,168	4,770
Lease interest expense	10	110	-
Interest expense (income)		63	(32)
Profit before income tax expense		5,995	4,802
Income tax expense – current		1,979	1,356
Income tax expense – deferred		(317)	91
Total income tax expense		1,662	1,447
NET PROFIT		**$ 4,333**	**$ 3,355**
Net profit per share:			
Basic	20	$ 0.55	$ 0.43
Diluted	20	$ 0.54	$ 0.43

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarters ended December 31, 2019 and 2018
(Canadian dollars in thousands)

	NOTES	Three months ended December 31, 2019	2018
NET PROFIT		$ 4,333	$ 3,355
Other comprehensive income, net of tax			
Items that will be reclassified subsequently to net profit			
Cumulative translation adjustment		28	-
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of $327 (2018 - $737).		878	(2,010)
Other comprehensive income (loss), net of tax		906	(2,010)
COMPREHENSIVE INCOME		**$ 5,239**	**$ 1,345**

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the quarters ended December 31, 2019 and 2018
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2019		**$ 32,515**	**$ 1,817**	**$ 81,608**	**$ (866)**	**$ 115,074**
Comprehensive income		-	-	4,333	906	5,239
Dividend paid ($1.12 per share)		-	-	(2,232)	-	(2,232)
Share repurchase		-	-	-	-	-
Issuance of shares under stock option plan	17	1,212	(495)	-	-	717
Share-based compensation expense	18	-	273	-	-	273
Balance December 31, 2019		**$ 33,727**	**$ 1,595**	**$ 83,709**	**$ 40**	**$ 119,071**

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2018		**$ 28,647**	**$ 1,065**	**$ 70,521**	**$ (183)**	**$ 100,050**
Comprehensive income		-	-	3,355	(2,010)	1,345
Dividend paid ($1.12 per share)		-	-	(2,176)	-	(2,176)
Share repurchase		(11)	-	(70)	-	(81)
Issuance of shares under stock option plan	17	252	(252)	-	-	-
Share-based compensation expense	18	-	200	-	-	200
Balance December 31, 2018		**$ 28,888**	**$ 1,013**	**$ 71,630**	**$ (2,193)**	**$ 99,338**

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the quarters ended December 31, 2019 and 2018
(Canadian dollars in thousands)

	NOTES	Three months ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		$ 4,333	$ 3,355
Items not affecting cash:			
Interest expense (income)		63	(32)
Changes in fair value related to contingent earn-out	14	207	142
Lease interest expense	10	110	-
Income tax expense		1,662	1,447
Employee share purchase plan expense		-	35
Share based compensation expense	18	273	200
Depreciation and amortization	9,10,12	2,132	775
Other changes in fair value	11	(101)	-
		8,679	5,922
Change in non-cash working capital			
Accounts receivable		(5,678)	4,470
Work in process		(12,854)	759
Prepaid expenses		288	401
Inventory		(544)	(320)
Accounts payable and accrued liabilities		(974)	(6,511)
Unearned contract revenue		(24)	(1,964)
		(11,107)	2,757
Interest received (paid)		(191)	33
Income tax paid		(1,281)	(1,812)
		(12,579)	978
CASH FLOWS USED IN FINANCING ACTIVITIES			
Issuance of common shares	17,18	717	-
Dividends		(2,232)	(2,176)
Draw on line of credit	16	13,180	12,000
Share repurchase		-	(81)
Payment of lease obligations		(614)	-
		11,051	9,743
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments and loan receivable	11	(100)	-
Business acquisitions	23	-	(11,299)
Capitalized research and development	9	(658)	(494)
Equipment and application software	9	(454)	(393)
		(1,212)	(12,186)
NET CASH (OUTFLOW) INFLOW		$ (2,740)	$ (1,465)
CASH, BEGINNING OF PERIOD		17,135	21,842
CASH, END OF PERIOD		$ 14,395	$ 20,377

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the quarters ended December 31, 2019 and 2018
(Canadian dollars in thousands, except per share amounts)

1. Basis of Preparation

Calian Group Ltd. ("the Company") is incorporated under the Canada Business Corporations Act. The address of its registered office and principal place of business is 770 Palladium Drive, Ottawa, Ontario K2V 1C8. The company's capabilities are diverse with services and solutions delivered through four segments: Advanced Technologies, Health, Learning and Information Technology ("IT"). Headquartered in Ottawa, Calian provides business services and solutions to both industry and government customers in the areas of health, defence, security, aerospace, engineering, and IT.

Statement of compliance

These unaudited interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies the Company adopted in its annual consolidated financial statements for the year ended September 30, 2019, except as per note 2 below, and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended September 30, 2019. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on February 5, 2020.

2. Changes in Accounting Policies

IFRS 16

In January 2016, the IASB released *IFRS 16 Leases* which replaces *IAS 17 Leases*. *IFRS 16* set outs a single lessee accounting model that requires a lessee to recognize assets and liabilities for all lease agreements unless the underlying asset has a low value or the lease term is twelve months or less. A lessee is required to recognize a right-of-use asset for the underlying leased asset and a lease liability representing the present value of payment obligations for the lease term. *IFRS 16* is effective for the Company's annual periods beginning on October 1, 2019. The Company has elected to use the modified retrospective approach for transition to *IFRS 16* whereby the lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application and the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial adoption for leases previously classified as an operating lease.

Effective October 1, 2019, the Company adopted *IFRS 16* using the modified retrospective approach and accordingly the information presented for the comparative fiscal year has not been restated and the presentation remains as previously reported under *IAS 17* and related interpretations. The Company has assessed the new standard and reviewed its portfolio of contracts in order to identify leases under the scope of IFRS 16. The review has identified a number of contracts that were previously accounted for as operating leases under the previous accounting standard, all of which represent leases for office space.

2. Changes in Accounting Policies (Continued)

The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under *IAS 17* and *IFRIC 4*. The Company applied the definition of a lease under *IFRS 16* to contracts entered into or changed on or after October 1, 2019. The Company has used hindsight where applicable, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Based on management's assessment of these contracts, the balance sheet impact is as follows:

	Operating leases as at September 30, 2019	Transitional adjustments	Leases as at October 1, 2019
Assets			
Prepaid expenses	$ 157	$ (157)	$ -
Right-of-use asset	-	18,416	18,416
Total assets	157	18,259	18,416
Liabilities and equity			
Accounts payable and accrued liabilities	$ 2,000	$ (2,000)	$ -
Lease obligation	-	20,259	20,259
Total liabilities	2,000	18,259	20,259
Retained earnings	-	-	-
Total liabilities and equity	$ 2,000	$ 18,259	$ 20,259

The weighted average incremental borrowing rate applied to the lease liabilities recognized in the statement of financial position on October 1, 2019 is 2.47%.

The following table reconciles the Company's operating lease obligations at September 30, 2019, as previously disclosed in the Company's consolidated financial statements commitment note, to the lease obligations recognized on initial application of IFRS 16 at October 1, 2019:

Operating Lease Obligations	
Operating lease commitments at September 30, 2019	24,640
Discounted using the incremental borrowing rate at October 1, 2019	23,291
Variable lease payments that do not depend on an index or rate	(7,058)
Recognition exemption for short-term leases	(27)
Extension options reasonably certain to be exercised	4,213
Other	(160)
Lease obligations recognized at October 1, 2019	20,259

Policy Related to Lease Accounting

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset, or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

2. Changes in Accounting Policies (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

3. Critical Accounting Policies and Judgments

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

Aside from the *IFRS 16* changes noted in Note 2, there were no additional significant changes in estimates or approaches in the current period when compared to the estimates or approaches used to prepare the annual consolidated financial statements for the year ended September 30, 2019.

4. Seasonality

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company's revenues and earnings have historically been subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry specific seasonal cycles and the timing and delivery of milestones for significant projects. IntraGrain, acquired in the first quarter of the prior fiscal year, generates a significant portion of its revenues during the third and fourth quarter of the Company's fiscal year.

5. Accounts Receivable

The following table presents the trade and other receivables:

	December 31, 2019	September 30, 2019
Trade and accounts receivable	$ 67,721	$ 62,507
Tax and Scientific Research and Development receivable	1,862	1,500
Other	41	46
	69,624	64,053
Loss Allowance	(48)	(76)
	$ 69,576	$ 63,977

Bad debt recovery recognized in the quarter ended December 31, 2019 is $29. Bad debt expense recognized in the quarter ended December 31, 2018 is $58

6. Inventory

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average cost method. Write-downs are taken for excess and obsolete inventory and for a reduction in the carrying value of inventory to reflect realizable value based on current cost, production and sales estimates. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The following table presents inventories at:

	December 31, 2019		September 30, 2019	
Raw materials	$	1,337	$	1,391
Work in process inventory		633		275
Finished goods		1,721		1,481
	$	3,691	$	3,147

Inventory recognized as cost of sale in the quarter ended December 31, 2019 (2018) is $1,100 ($312). No inventory provisions have been recognized in the three-month period ending December 31, 2019, or three-month period ending December 31, 2018.

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	December 31, 2019		September 30, 2019	
Prepaid maintenance	$	1,545	$	2,406
Other prepaid expenses		3,413		2,997
	$	4,958	$	5,403

8. Unearned Contract Revenue

The following table presents changes in unearned contract revenue:

	Contract Liabilities			
	December 31, 2019		December 31, 2018	
Opening balance	$	8,078	$	11,209
Deferral of revenue		2,946		738
Recognition of deferred revenue		(2,270)		(3,869)
Acquisitions		-		-
Ending balance	$	8,754	$	8,078

9. Equipment

A continuity of the property and equipment for the three month period ended December 31, 2019 is as follows:

Cost		Leasehold Improvements	Equipment	Total Equipment	Application Software
Opening balance	$	2,437 $	21,379 $	23,816 $	4,311
Additions		-	267	267	180
Transfers/disposals		-	(27)	(27)	-
Acquisitions		-	-	-	-
Balance December 31, 2019	$	2,437 $	21,619 $	24,056 $	4,491
Accumulated Depreciation					
Opening balance	$	(388)$	(12,463)$	(12,851)$	(3,298)
Depreciation		(62)	(350)	(412)	(160)
Transfers/disposals		-	27	27	-
Acquisitions		-	-	-	-
Balance December 31, 2019	$	(450)$	(12,786)$	(13,236)$	(3,458)
Carrying Value					
December 31, 2019	$	1,987 $	8,833 $	10,820 $	1,033

A continuity of the property and equipment for the three month period ended December 31, 2018 is as follows:

Cost		Leasehold Improvements	Equipment	Total Equipment	Application Software
Opening balance	$	3,797 $	18,780 $	22,577 $	3,791
Additions		246	114	360	37
Transfers/disposals		(1,609)	(212)	(1,821)	-
Acquisitions		-	971	971	3
Balance December 31, 2018	$	2,434 $	19,653 $	22,087 $	3,831
Accumulated Depreciation					
Opening balance	$	(1,751)$	(11,031)$	(12,782)$	(3,003)
Depreciation		(60)	(370)	(430)	(65)
Transfers/disposals		1,609	212	1,821	-
Acquisitions		-	(433)	(433)	(3)
Balance December 31, 2018	$	(202)$	(11,622)$	(11,824)$	(3,071)
Carrying Value					
December 31, 2018	$	2,232 $	8,031 $	10,263 $	760

Capitalized Research and Development

Capitalized R&D balances as at December 31, 2019 (September 30, 2019) totalled $3,875 ($3,216). Respective additions in the three-month period ended December 31, 2019 (December 31, 2018) were $658 ($494). Capitalized R&D is measured at cost and depreciated once the assets are available for use. As the assets are not yet available for use, no depreciation has been recorded to date.

10. Right-of-Use Assets and Lease Obligations

The following table presents the right-of-use assets for the Company:

		Total Right-of-Use Assets
Balance October 1, 2019	$	18,416
Additions		388
Depreciation		(671)
Balance December 31, 2019	$	18,133

The Company's leases are for office and manufacturing space. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations for the Company:

		Total Lease Obligations
Balance October 1, 2019	**$**	20,259
Additions		374
Principal Payments		(614)
Balance December 31, 2019	**$**	20,019
Current	$	2,549
Non-current		17,470
Total	$	20,019

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2019:

		Total Undiscounted Lease Obligations
Less than one year	$	3,015
One to five years		11,509
More than five years		7,859
Total undiscounted lease obligations	$	22,383

Total cash outflow for leases was $724, including $614 of principal payments on lease obligations, and interest expense on lease obligations of $110. Expenses relating to short-term leases were $30 recognized in general and administration expenses.

11. Investment and Loan Receivable

Cliniconex

Cliniconex Inc., is an Ottawa-based patient outreach solutions vendor. In 2017, the Company invested $250K, which included $100 in common shares, and $150 in convertible debt, which accrued interest at 12% and matures on June 6, 2021. In 2018, the Company invested and additional $150 in the form of a convertible loan with interest of 12% and maturing on June 9, 2020.

On November 13, 2019, the Company elected to exchange its existing convertible debt, and accrued interest into preferred shares, as well as invest a further $100 in preferred shares. The Company recognizes the investment at fair value, and has adjusted its common and preferred shares to the most recent fair value, resulting in a gain of $101 recognized in the current period.

12. Acquired Intangible Assets

A continuity of the intangible assets for the three month period ended December 31, 2019 is as follows:

	December 31, 2019			
	Opening Balance	Additions	Amortization	Closing Balance
Customer relationship related to Primacy	$ 1,909	$ -	$ -	$ 1,909
Other customer relationships	8,055	-	(483)	7,572
Contract with customers & Non-competition agreements	1,083	-	(31)	1,052
Technology and trademarks	5,652	-	(375)	5,277
	$ 16,699	$ -	$ (889)	$ 15,810

A continuity of the intangible assets for the three month period ended December 31, 2018 is as follows:

	December 31, 2018			
	Opening Balance	Additions	Amortization	Closing Balance
Customer relationship related to Primacy	$ 1,909	$ -	$ -	$ 1,909
Other customer relationships	3,083	2,480	(135)	5,428
Contract with customers & Non-competition agreements	1,369	296	(112)	1,553
Technology and trademarks	341	4,512	(33)	4,820
	$ 6,702	$ 7,288	$ (280)	$ 13,710

13. Accounts Payable and Accrued Liabilities

The following table presents the accounts payable and accrued liabilities for the Company:

	December 31, 2019	September 30, 2019
Trade accounts payable	$ 27,717	$ 24,748
Payroll accruals	7,534	11,387
Income tax payable	957	256
Other accruals	5,744	8,667
	$ 41,952	$ 45,058

14. Contingent Earn-Out

The following shows the contingent consideration activity for the three month period ending December 31, 2019 and December 31, 2018 for all acquisitions for which contingent consideration was agreed:

Company Acquired	Beginning balance	Addition through acquisition	Payments	Changes in fair value	Ending balance
ISR	$ -	$ -	$ -	$ -	$ -
Secure Tech	800	-	-	-	800
IntraGrain Technologies	2,885	-	-	110	2,995
SatService	2,634	-	-	97	2,731
Total	$ 6,319	$ -	$ -	$ 207	$ 6,526

Company Acquired	Beginning balance	Addition through acquisition	Payments	Changes in fair value	Ending balance
ISR	$ 1,640	$ -	$ (410)	$ -	$ 1,230
Secure Tech	1,600	-	-	-	1,600
IntraGrain Technologies	-	4,689	-	142	4,831
Total	$ 3,240	$ 4,689	$ (410)	$ 142	$ 7,661

15. Provisions

Changes in provisions for the quarter ended December 31, 2019 were as follows:

	Product Warranties	Severance	Other	Total
Opening balance	$ 801	$ 301	$ 27	$ 1,129
Additions	89	162	23	274
Utilization/Reversals	(113)	(89)	-	(202)
Balance at December 31, 2019	$ 777	$ 374	$ 50	$ 1,201

Changes in provisions for the quarter ended December 31, 2018 were as follows:

	Product Warranties	Severance	Other	Total
Opening balance	$ 1,365	$ 414	$ 153	$ 1,932
Additions	-	150	-	150
Utilization/Reversals	(43)	(160)	-	(203)
Balance at December 31, 2018	$ 1,322	$ 404	$ 153	$ 1,879

16. Line of Credit

The Company has a Revolving Credit Facility (“RCF”) in the amount of $40,000 CAD available. The RCF is committed for a 364 day term with upcoming maturity at May 29, 2020, at which point it can be renewed for another 364 day term. At December 31, 2019 (September 30, 2019), the Company utilized $26,195 ($13,000) of the RCF. The RCF is secured against the Company’s assets and is interest bearing at the Royal Bank of Canada’s Prime Rate.

17. Issued Capital and Reserves

Issued capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per share at the meetings of holders of Common Shares and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. No Preferred Shares are outstanding as of the December 31, 2019.

Common share issued and outstanding:

	December 31, 2019		December 31, 2018	
	Shares	Amount	Shares	Amount
Opening balance	7,929,238	$ 32,515	7,764,762	$ 28,647
Shares issued under employee share plans	41,526	1,212	8,176	252
Shares issued under employee stock purchase plan	-	-	-	-
Share repurchases	-	-	(3,000)	(11)
Issued capital	7,970,764	$ 33,727	7,769,938	$ 28,888

Contributed surplus

Contributed surplus comprises the value of share-based compensation expense related to options granted that have not been exercised or have expired unexercised.

18. Share-Based Compensation

Stock Options

The Company has an established stock option plan. Under the plan, eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. Stock options are issued at market value based on the price at the date preceding the grant, and can have a contractual term of up to ten years and generally vest over 3 years. The maximum number of common shares reserved for issuance under the Plan is equal to 9% of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company. As at December 31, 2019, based on the Company's total common shares outstanding, a total of 717,369 stock options and RSU's may be issued and outstanding. Based on this, the Company could grant up to 413,760 additional stock options or RSU's beyond what was issued and outstanding as at December 31, 2019.

The weighted average fair value of options granted during the quarter ended December 31, 2019 was $5.18 per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuance and adjusted based on management's best estimate for the effects of non-transferability, exercises restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting.

The following assumptions were used to determine the fair value of the options granted in the three months ended December 31, 2019:

	Weighted Average Options Granted			
		Q1 2020		Q1 2019
Grant date share price	$	36.49	$	29.55
Exercise price	$	36.49	$	29.55
Expected price volatility	%	22.8	%	22.7
Expected option life	yrs	4.00	yrs	4.00
Expected dividend yield	%	2.85	%	3.79
Risk-free interest rate	%	1.50	%	2.28
Forfeiture rate	%	0	%	0

	December 31, 2019			December 31, 2018		
	Number of Options		Weighted Avg. Exercise Price	Number of Options		Weighted Avg. Exercise Price
Opening balance	239,400	$	30.57	247,400	$	25.43
Exercised	(27,700)		25.81	-		-
Forfeited	-		-	-		-
Granted	35,000		36.49	119,600		29.55
Outstanding, December 31, 2019	246,700	$	31.95	367,000	$	26.77

The following share-based payment arrangements are in existence:

Option series:	Number of Options	Grant date	Expiry date		Exercise price		Fair value at grant date
(1) Issued September 9, 2015	500	September 9, 2015	September 9, 2020	$	17.69	$	0.90
(2) Issued May 17, 2017	15,000	May 17, 2017	May 17, 2022	$	27.30	$	3.42
(3) Issued November 24, 2017	75,600	November 24, 2018	November 17, 2023	$	34.58	$	4.53
(4) Issued March 27, 2018	6,000	March 27, 2018	November 17, 2023	$	31.54	$	4.62
(5) Issued November 19, 2018	105,600	November 19, 2018	November 19, 2023	$	29.55	$	3.96
(6) Issued February 8, 2019	9,000	February 8, 2019	February 8, 2024	$	29.06	$	3.95
(7) Issued November 25, 2019	35,000	November 25, 2019	November 25, 2024	$	36.49	$	5.18

18. Share-Based Compensation (Continued)

For the options issued on November 25, 2019, 7,000 options vested immediately with the remaining vesting through to November 25, 2020.

At December 31, 2019 (2018) the weighted average remaining contractual life of options outstanding is 3.62 (3.26) years of which 183,700 (251,000) options are exercisable at a weighted average price of $31.70 ($24.89). The Company has recorded $95 of share-based compensation expense in three-month period ended December 31, 2019 (December 31, 2018 - $72) related to the options that have been granted. The Company has total unrecognized compensation expense of $172 (December 31, 2018 - $484) that will be recorded within this fiscal year.

Restricted share units:

The Company has an established restricted stock unit ("RSU") plan. Under the RSU plan, the maximum number of common shares reserved for issuance is equal to 9% of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company. Share units may be awarded to any officer or employee of the Company. Each restricted share unit will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Participants in the RSU plan may elect to redeem their share units either by the Company issuing the participant one common share for each whole vested share unit or, subject to the consent by the Company, elect to receive an amount in cash. The cash amount is equal to the number of vested share units to be redeemed multiplied by the value of the common shares otherwise issuable on redemption of the share units.

The following table summarizes information about the RSU's as of December 31, 2019:

	December 31, 2019			December 31, 2018		
	Number of RSUs		Weighted Avg. Grant Date Fair Value	Number of RSUs		Weighted Avg. Grant Date Fair Value
Opening balance	47,736	$	30.11	20,970	$	31.40
Exercised	(13,826)		30.26	(8,176)		30.83
Forfeited	(16)		28.43	(16)		28.43
Granted	23,015		36.49	36,018		29.55
Outstanding, December 31, 2019	56,909	$	32.66	48,796	$	30.13

Of the units issued in the current quarter year under the RSU plan, NIL have vested as of December 31, 2019. The Company has recorded $179 of share-based compensation expense in the three month period ended December 31, 2019 (2018 - $127) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of $898 at December 31, 2019 (2018 - $1,150) that will be recorded over the next three years.

The following unvested RSU-based payment arrangements are in existence:

RSU series:	Number of RSUs	Grant date	Vest through		Fair value at grant date
(1) Issued November 24, 2017	3,009	November 24, 2017	November 15, 2022	$	34.58
(2) Issued February 12, 2018	1,207	February 12, 2018	November 15, 2020	$	31.01
(3) Issued March 27, 2018	185	March 27, 2018	November 15, 2020	$	31.54
(4) Issued November 16, 2018	29,043	November 6, 2018	November 15, 2021	$	29.55
(5) Issued February 7, 2019	450	February 7, 2019	November 15, 2021	$	29.06
(6) Issued November 25, 2019	23,015	November 25, 2019	November 15, 2022	$	36.49

18. Share-Based Compensation (Continued)

Deferred share unit plan

During the three month period ended December 31, 2019 (2018) the Company granted 1,034 (911) deferred share units (“DSU”). There are 21,949 (17,779) DSUs outstanding at December 31, 2019 (2018). Each DSU entitles the participant to receive the value of one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service. The fair value of the DSUs granted in the three month period ended December 31, 2019 (2018) was $33.31 ($25.07) per unit using the fair value of a Common Share at the time of grant. The Company recorded share-based compensation of $170 (2018 – $89) related to the DSUs in the three month period ended December 31, 2019 (2018)..

19. Revenue

The following table presents the revenue of the Company for the quarter ended December 31, 2019 and 2018:

	Three months ended December 31, 2019	Three months ended December 31, 2018
Product revenue		
Advanced Technologies	$ 29,045	$ 12,459
Health	-	-
Learning	-	-
Information Technology	2,166	296
Service revenue		
Advanced Technologies	10,998	11,355
Health	30,010	27,350
Learning	15,108	15,850
Information Technology	11,917	12,611
	$ 99,244	$ 79,921

Remaining performance obligations

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2019 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	December 31, 2019
Less than 24 months	363,320
Thereafter	155,561
Total	518,881

20. Net Profit per Share

The diluted weighted average number of shares has been calculated as follows:

	Three months ended December 31	
	2019	2018
Weighted average number of common shares – basic	7,943,768	7,768,350
Additions to reflect the dilutive effect of employee stock options and RSU's	60,920	53,188
Weighted average number of common shares – diluted	8,004,688	7,821,538

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted net profit per share. For the quarter ended December 31, 2019 (2018), 35,000 (210,200) options and 23,015 (36,018) RSU's were excluded from the above computation. Net profit is the measure of profit or loss used to calculate profit per share.

21. Segmented Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer ("CEO)". The Company's segments are categorized as follows: Advanced Technologies, Health, Learning, and Information Technology ("IT"). Shared Services are aggregated and incurred to support all segments. These include, but are not limited to, the Finance, Human Resources, IT support, Corporate development, Legal, Corporate marketing, and administrative functions, facilities costs, costs of operating a public company, and other costs.

The Company evaluates performance and allocates resources based on profit before interest and income taxes.

21. Segmented Information (Continued)

For the quarter ended December 31, 2019:

For the three months ended December 31, 2019	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	40,043	30,010	15,108	14,083	-	99,244
Cost of revenues	32,022	23,492	11,984	11,491	-	78,989
Gross profit	8,021	6,518	3,124	2,592	-	20,255
Gross profit %	20 %	22 %	21 %	18 %	N/A %	20 %
Selling and marketing	1,280	205	253	579	460	2,777
General and administration	1,521	1,132	797	615	4,593	8,658
Research and development	414	-	-	-	-	414
Profit before under noted items	4,806	5,181	2,074	1,398	(5,053)	8,406
Profit before under noted items %	12 %	17 %	14 %	10 %	N/A %	8 %
Depreciation of equipment and application software						572
Depreciation of right of use asset						671
Amortization of acquired intangibles						889
Other changes in fair value						(101)
Changes in fair value related to contingent earn-out						207
Profit before interest and income tax expense						6,168
Lease interest expense						110
Interest expense (income)						63
Profit before income tax expense						5,995
Income tax expense – current						1,979
Income tax expense – deferred						(317)
Total income tax expense						1,662
NET PROFIT FOR THE PERIOD						4,333

21. Segmented Information (Continued)

For the quarter ended December 31, 2018:

For the three months ended December 31, 2018	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	23,814	27,350	15,850	12,907	-	79,921
Cost of revenues	17,253	21,741	12,836	11,247	-	63,077
Gross profit	6,561	5,609	3,014	1,660	-	16,844
Gross profit %	28 %	21 %	19 %	13 %	N/A %	21 %
Selling and marketing	1,056	179	267	473	488	2,463
General and administration	1,812	950	663	625	4,365	8,415
Research and development	279	-	-	-	-	279
Profit before under noted items	3,414	4,480	2,084	562	(4,853)	5,687
Profit before under noted items %	14 %	16 %	13 %	4 %	N/A %	7 %
Depreciation of equipment and application software						495
Amortization of acquired intangibles						280
Changes in fair value related to contingent earn-out						142
Profit before interest and income tax expense						4,770
Interest expense (income)						(32)
Profit before income tax expense						4,802
Income tax expense – current						1,356
Income tax expense – deferred						91
Total income tax expense						1,447
NET PROFIT FOR THE PERIOD						3,355

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers are attributed as follows:

	December 31, 2019	December 31, 2018
Canada	70 %	81 %
United States	26 %	16 %
Europe	4 %	3 %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various departments and agencies of the Canadian federal, provincial and municipal governments for the quarter ended December 31, 2019 and 2018 represented 58% (70%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

22. Financial Instruments and Risk Management

Capital Risk Management

The Company's objective is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income relating to cash flow hedges. The Company uses debt to fund working capital and its investment initiatives. Net profits generated from operations are available to repay debt and reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year-over-year sustainable profitable growth. The Board of Directors also reviews on a quarterly basis the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. The Company does not have a defined share repurchase plan and buy and sell decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holding of financial instruments.

Foreign currency risk related to contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities, contingent earn-out and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of the majority of its foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge the majority of its foreign currency exposure. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments on projects.

The Company also formally assesses, both at the hedge's inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge ineffectiveness has historically been insignificant. The forward foreign exchange contracts primarily require the Company to purchase or sell certain foreign currencies with or for Canadian dollars at contractual rates.

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its German subsidiary is the EUR. The presentation currency of these financial statements is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting dates and are recognized in profit and loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Company's German operations are first expressed in the Company's EUR functional currency using exchange rates

22. Financial Instruments and Risk Management (Continued)

prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Translation differences are recognized in other comprehensive income and recorded in the "cumulative translation adjustment".

At December 31, 2019, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2019
SELL	$ 108,686	USD	January 2020	$ 141,107	$ 848
SELL	5,566	EURO	January 2020	8,119	18
SELL	18	CHF	January 2020	24	-
Derivative assets					$ 866
BUY	$ 44,932	USD	January 2020	$ 58,335	$ (351)
BUY	692	EURO	January 2020	1,009	(2)
BUY	875	CHF	January 2020	1,176	(1)
Derivative liabilities					$ (354)

A 10% strengthening of the Canadian dollar against the following currencies at December 31, 2019 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	December 31, 2019
USD	$ 7,525
EURO	646
CHF	(105)
Total	$ 8,066

A 10% strengthening against the Canadian dollar of the currencies to which the Company had exposure that is not related to forward foreign exchange contracts would have had the following effects (a 10% weakening against the USD would have had the opposite effect):

	December 31, 2019
USD	$ 85
EURO	228
Total	$ 313

22. Financial Instruments and Risk Management (Continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and its foreign exchange contracts.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are for the most part, federal and provincial government departments and large private companies. A significant portion of the Company's accounts receivable is from long-time customers. At December 31, 2019 (September 30, 2019), 62% (62%) of its accounts' receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not suffered any significant credit related losses.

The Company limits its exposure to credit risks from counter-parties to derivative financial instruments by dealing only with major Canadian financial institutions. Management does not expect any counter-parties to fail to meet their obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2019	**September 30, 2019**
Cash	$ 14,395	$ 17,135
Accounts receivable	69,576	63,977
Derivative assets	866	96
Total	$ 84,837	$ 81,208

The aging of accounts receivable at the reporting date was:

	December 31, 2019	September 30, 2019
Current	$ 61,954	$ 60,574
Past due (61-120 days)	5,207	1,249
Past due (> 120 days)	2,415	2,154
Total	$ 69,576	$ 63,977

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as much as possible, that it will always have sufficient liquidity to meet liabilities when due. At December 31, 2019, the company has an unsecured credit facility, subject to annual renewal, that allows the Company to borrow funds up to an aggregate of $40,000. At as December 31, 2019, an amount of $26,195 was drawn on the facility for current operations, and $50 was drawn to issue a letter of credit to meet customer contractual requirements.

22. Financial Instruments and Risk Management (Continued)

Fair Value

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on December 31, 2019 and represent the difference between the hedge rate and the exchange rate at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 of the fair value hierarchy based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2019		
	Level 1	Level 2	Level 3
Cash	$ 14,395	$ -	$ -
Investment and loan receivable	-	-	670
Derivative financial assets	-	866	-
Contingent earn-out	-	-	(6,526)
Derivative financial liabilities	-	(354)	-
Total	$ 14,395	$ 512	$ (5,856)

	September 30, 2019		
	Level 1	Level 2	Level 3
Cash	$ 17,135	$ -	$ -
Investment and loan receivable	-	-	452
Derivative financial assets	-	96	-
Contingent earn-out	-	-	(6,319)
Derivative financial liabilities	-	(143)	-
Total	$ 17,135	$ (47)	$ (5,867)

There were no transfers between Level 1, Level 2 and level 3 during the three month period ended December 31, 2019.

23. Acquisitions

(D.T.) Secure Technologies International Inc.

On May 31, 2018, the Company acquired all of the outstanding shares of Secure Tech for a purchase price of up to $4,188. Of this amount, $2,588 was paid on the date of closing and $1,600 is payable contingently. Secure Tech is a dedicated partner in IT and Information Security. Secure Tech was acquired to expand the Company's information technology cyber offering and is reported as part of the IT operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Secure Tech an additional $800 and $800 if Secure Tech attains specified levels of EBITDA for the years ending May 31, 2019 and 2020, respectively. Secure Tech did not achieve the level of EBITDA required for the year 1 earn-out. This resulted in a reduction of the first year earn out liability in the amount of $800 which was recognized in fiscal year 2019. At December 31, 2019, $800 is included in contingent earn-out liability for anticipated achievement of the second year target.

IntraGrain Technologies Inc. ("IntraGrain")

On November 1, 2018, the Company acquired all of the outstanding shares of IntraGrain for a purchase price of up to $17,000. Of this amount, $11,000 was paid on the date of closing and $6,000 is payable contingently. IntraGrain is the maker of the BIN-SENSE® grain storage solution. The technology combines Internet of Things (connectivity with bin sensors to protect grain quality and eliminate the risk of stored grain spoilage and is reported as part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of IntraGrain an additional $2,500 and $3,500 if IntraGrain attains specified levels of EBITDA for the years ending October 31, 2019 and 2020, respectively. IntraGrain did not achieve the level of EBITDA required for the year 1 earn-out. This resulted in a decrease of the first year earn out liability in the amount of $2,447 which was recognized in fiscal year 2019. At December 31, 2019, $2,995 is included in contingent earn-out liability for anticipated achievement of the second-year target.

Sat Service, Gesellschaft für Kommunikationssysteme mbH. (“SatService”)

On April 1, 2019, the Company acquired all of the outstanding shares of SatService for a purchase price of $16,036. Of this amount, $9,810 (6,450 EURO) was paid on the date of closing, $931 (618 EURO) was paid upon settlement of net equity and $5,295 (3,550 EURO) is payable contingently. SatService offers innovative engineering solutions and products for the satellite communications market and is reported as a part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of SatService an additional $2,014 and $3,282 (1,350 EURO and 2,200 EURO) if SatService attains specified levels of EBITDA for the nine-month period ending December 31, 2019 and for the twelve-month period ending December 31, 2020. SatService did not achieve the level of EBITDA required for the year 1 earn-out. This resulted in a decrease of the first year earn out liability in the amount of $1,925 which was recognized in fiscal year 2019. At December 31, 2019, $2,731 is included in contingent earn-out liability for anticipated achievement of the second-year target

24. Related Party Transactions

During the quarter ended December 31, 2019 (2018), the Company had sales of $152 (NIL) to GrainX in which Calian holds a non-controlling equity investment. At December 31, 2019 (2018), the Company had an accounts receivable balance with GrainX of $103 (NIL) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties.

The Company has certain office space leases with employees of the Company. The total amount of expense due to leases with related parties is $46 ($55) for the quarter ended December 31, 2019 (2018).

25. Contingencies

In the normal course of business, the Company is party to business and employee-related claims. The potential outcomes related to existing matters faced by the Company are not determinable at this time. The Company intends to defend these actions, and management believes that the resolution of these matters will not have a material adverse effect on the Company's financial condition.

26. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation whereby facilities expense of $1,293 have been reclassified from a stand alone line in the statement of net profit into general and administration expense, and research and development expense of $279 has been separated from general and administration expense into research and development expenses.

With the implementation of IFRS16, facilities expense have decreased significantly. This is due to the fact that the fixed lease cost portion of previous lease expenses is now depreciation and interest under IFRS16. Without the fixed portion of the lease costs, the facilities line is not significant enough to separate from general and administration expense on the statement of net profit.

Previously noted interest accretion has been reclassified as changes in fair value related to contingent earn-out in the current period to conform with IFRS 9 requirements of disclosing such amounts. These amounts relate to the contingent earn out payable amounts as described in note 23.

27. Subsequent Events

On January 31, 2020, the Company increased its Revolving Credit Facility to $60,000 and extended the maturity date of the facility to June 4, 2021.

Effective January 31, 2020, the Company acquired the outstanding shares of Allphase Clinical Research Services Inc. and Alio Health Service Inc. (collectively "Allphase/Alio"), for purchase consideration of up to $26,500 of which, $24,000 is in cash and $2,500 is in common shares of the Company. Of the total consideration, $14,500 was paid on closing, and $12,000 is payable contingently. Allphase/Alio was acquired to expand the Company's medical practice through integrated service offerings for in home patient care, and pharmaceutical trial execution and management. Allphase/Alio will be reported as part of the Health operating segment and fully consolidated as of February 1, 2020.

Subsequent to the date of the statement of financial position, on February 5, 2020, the date of issuance of these consolidated financial statements, the Company declared a dividend of $0.28 per common share payable on March 4, 2020.