CALIAN®
Group Ltd.

Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended June 30, 2020

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2020 and September 30, 2019
(Canadian dollars in thousands, except per share data)

	NOTES	June 30, 2020	September 30, 2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	$ 46,296	$ 17,135
Accounts receivable	6	87,021	63,977
Work in process	9	75,624	39,221
Inventory	7	3,341	3,147
Prepaid expenses	8	7,819	5,403
Derivative assets	22	1,188	96
Total current assets		221,289	128,979
NON-CURRENT ASSETS			
Capitalized research and development	10	4,086	3,216
Equipment	10	11,046	10,965
Application software	10	2,304	1,013
Right of use asset	11	16,993	-
Investment and loan receivable	12	670	452
Acquired intangible assets	13	22,133	16,699
Goodwill		42,268	33,702
Total non-current assets		99,500	66,047
TOTAL ASSETS		$ 320,789	$ 195,026
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Line of Credit	16	$ -	$ 13,000
Accounts payable and accrued liabilities	14	65,983	45,058
Contingent earn-out	24	7,263	800
Provisions	15	1,101	1,129
Unearned contract revenue	9	25,687	8,778
Derivative liabilities	22	467	143
Lease obligations	11	2,544	-
Total current liabilities		103,045	68,908
NON-CURRENT LIABILITIES			
Lease obligations	11	16,432	-
Contingent earn-out	24	2,500	5,519
Deferred tax liabilities		5,341	5,525
Total non-current liabilities		24,273	11,044
TOTAL LIABILITIES		127,318	79,952
SHAREHOLDERS' EQUITY			
Issued capital	17	106,235	32,515
Contributed surplus		1,880	1,817
Retained earnings		87,892	81,608
Accumulated other comprehensive income (loss)		(2,536)	(866)
TOTAL SHAREHOLDERS' EQUITY		193,471	115,074
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 320,789	$ 195,026
Number of common shares issued and outstanding	17	9,716,729	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 three and nine month periods ended June 30, 2020 and 2019
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended June 30, 2020	Three months ended June 30, 2019	Nine months ended June 30, 2020	Nine months ended June 30, 2019
Revenue					
Advanced Technologies		$ 35,912	$ 30,543	$ 115,813	$ 78,260
Health		43,936	29,273	106,187	84,432
Learning		11,110	15,628	43,551	49,115
Information Technology		14,570	13,351	43,712	40,323
Total Revenue	19	105,528	88,795	309,263	252,130
Cost of revenues		82,997	69,461	242,974	197,817
Gross profit		22,531	19,334	66,289	54,313
Selling and marketing		3,187	2,947	9,308	7,729
General and administration	27	9,848	9,296	28,034	26,602
Research and development	27	490	343	1,340	984
Profit before under noted items		9,006	6,748	27,607	18,998
Depreciation of equipment, application software and research and development	10	851	563	2,007	1,598
Depreciation of right of use asset	11	681	-	2,037	-
Amortization of acquired intangible assets	13	1,376	1,006	3,482	1,708
Other changes in fair value	12, 24	-	(650)	(101)	(650)
Changes in fair value related to contingent earn-out	24	393	347	889	726
Profit before interest income and income tax expense		5,705	5,482	19,293	15,616
Lease obligations interest expense	11	120	-	352	-
Interest expense (income)		(75)	41	166	(14)
Profit before income tax expense		5,660	5,441	18,775	15,630
Income tax expense – current		2,022	1,331	6,049	4,336
Income tax expense (recovery) – deferred		(228)	(187)	(749)	(222)
Total income tax expense		1,794	1,144	5,300	4,114
NET PROFIT		**$ 3,866**	**$ 4,297**	**$ 13,475**	**$ 11,516**
Net profit per share:					
Basic	20	$ 0.40	$ 0.54	$ 1.53	$ 1.47
Diluted	20	$ 0.40	$ 0.54	$ 1.52	$ 1.47

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 three and nine month periods ended June 30, 2020 and 2019
(Canadian dollars in thousands)

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	2020	2019
NET PROFIT	$ 3,866	$ 4,297	$ 13,475	$ 11,516
Other comprehensive income, net of tax				
Items that will be reclassified subsequently to net profit				
Cumulative translation adjustment	(62)	-	186	-
Change in deferred gain (loss) on derivatives designated as cash flow hedges, net of tax of $954 and $662 (2019 - $388 and $22)	2,636	1,039	(1,856)	(80)
Other comprehensive income (loss), net of tax	2,574	1,039	(1,670)	(80)
COMPREHENSIVE INCOME	**$ 6,440**	**$ 5,336**	**$ 11,805**	**$ 11,436**

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 nine month periods ended June 30, 2020 and 2019
(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**
Net profit and comprehensive income		-	-	13,475	(1,670)	11,805
Dividend paid ($0.84 per share)		-	-	(7,191)	-	(7,191)
Shares issued under employee share plans	17	4,026	(821)	-	-	3,205
Shares issued through acquisition	17	2,500	-	-	-	2,500
Shares issued under public offering net of issuance costs	17	65,847	-	-	-	65,847
Shares issued under employee stock purchase plan	17	1,347	-	-	-	1,347
Share-based compensation expense	18	-	884	-	-	884
Balance June 30, 2020		**$ 106,235**	**$ 1,880**	**$ 87,892**	**$ (2,536)**	**$ 193,471**

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2018		**$ 28,647**	**$ 1,065**	**$ 70,521**	**$ (183)**	**$ 100,050**
Net profit and comprehensive income		-	-	11,516	(80)	11,436
Dividend paid ($0.84 per share)		-	-	(6,568)	-	(6,568)
Share repurchase		(16)	-	(102)	-	(118)
Shares issued under employee share plans	17	2,633	(397)	-	-	2,236
Shares issued under employee stock purchase plan	17	850	-	-	-	850
Share-based compensation expense	18	-	859	-	-	859
Balance June 30, 2019		**$ 32,114**	**$ 1,527**	**$ 75,367**	**$ (263)**	**$ 108,745**

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 three and nine month periods ended June 30, 2020 and 2019
(Canadian dollars in thousands)

	NOTES	Three months ended June 30, 2020	Three months ended June 30, 2019	Nine months ended June 30, 2020	Nine months ended June 30, 2019
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES					
Net profit		$ 3,866	$ 4,297	$ 13,475	$ 11,516
Items not affecting cash:					
Interest expense (income)		(75)	41	166	(14)
Changes in fair value related to contingent earn-out	26	393	347	889	726
Lease interest expense	11	120	-	352	-
Income tax expense		1,794	1,144	5,300	4,114
Employee share purchase plan expense	18	75	35	121	136
Share based compensation expense	18	292	357	884	860
Depreciation and amortization	10,13	2,908	1,569	7,526	3,306
Other changes in fair value	12	-	(650)	(101)	(650)
		9,373	7,140	28,612	19,994
Change in non-cash working capital					
Accounts receivable		(8,210)	(1,885)	(18,932)	3,194
Work in process		(10,168)	(6,452)	(36,403)	(8,472)
Prepaid expenses		(2,304)	(1,595)	(2,496)	(2,568)
Inventory		850	2,337	(195)	1,301
Accounts payable and accrued liabilities		11,308	5,028	15,018	3,689
Unearned contract revenue		13,962	2,789	16,815	781
		14,811	7,362	2,419	17,919
Interest received (paid)		(45)	(41)	(536)	(77)
Income tax recovered (paid)		(41)	384	(4,872)	(4,975)
		14,725	7,705	(2,989)	12,867
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES					
Issuance of common shares	17,18	2,487	662	68,899	2,950
Dividends		(2,700)	(2,208)	(7,191)	(6,568)
Draw (repayment) on line of credit	16	-	(5,000)	(13,000)	12,000
Share repurchase		-	-	-	(118)
Payment of lease obligations	11	(623)	-	(1,853)	-
		(836)	(6,546)	46,855	8,264
CASH FLOWS USED IN INVESTING ACTIVITIES					
Investments and loan receivable	12	-	-	(100)	-
Business acquisitions	23	-	(9,550)	(10,433)	(20,849)
Capitalized research and development	10	(5)	(649)	(1,119)	(1,672)
Equipment and application software	10	(797)	(761)	(3,053)	(2,466)
		(802)	(10,960)	(14,705)	(24,987)
NET CASH (OUTFLOW) INFLOW		$ 13,087	$ (9,801)	$ 29,161	$ (3,856)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		33,209	27,786	17,135	21,841
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 46,296	$ 17,985	$ 46,296	$ 17,985

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 three and nine month periods ended June 30, 2020 and 2019
(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 August 11, 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 reasonable 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

2. Changes in Accounting Policies (Continued)

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.

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 materially 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. Cash and Cash Equivalents

The following table presents the cash and cash equivalents:

	June 30, 2020	September 30, 2019
Cash	$ 31,283	$ 17,135
Cash equivalent (GIC)	15,013	-
Total cash and cash equivalents	$ 46,296	$ 17,135

The following table presents cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	$ 39,022	1.00	$ 39,022
USD	2,832	1.36	3,852
GBP	60	1.68	101
EUR	1,893	1.53	2,896
CHF	295	1.44	425
Total cash and cash equivalents June 30, 2020			$ 46,296
CAD	$ 7,996	1.00	$ 7,996
US	4,454	1.32	5,879
GBP	5	1.63	8
EUR	2,242	1.44	3,229
CHF	17	1.33	23
Total cash and cash equivalents September 30, 2019			$ 17,135

Cash equivalents are investments that mature in less than 90 days.

6. Accounts Receivable

The following table presents the trade and other receivables:

	June 30, 2020	September 30, 2019
Trade and accounts receivable	$ 85,927	$ 62,507
Tax and Scientific Research and Development receivable	662	1,500
Other	495	46
	87,084	64,053
Loss Allowance	(63)	(76)
	$ 87,021	$ 63,977

Bad debt expense recognized in the three-months ended June 30, 2020 is $18. Bad debt recovery recognized in the three-months ended June 30, 2019 is $67.

Bad debt recovery recognized in the nine-months ended June 30, 2020 (2019) is $2 ($59).

7. 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.

7. Inventory (Continued)

The following table presents inventories at:

	June 30, 2020	September 30, 2019
Raw materials	$ 1,133	$ 1,391
Work in process inventory	961	275
Finished goods	1,247	1,481
	$ 3,341	$ 3,147

Inventory recognized as cost of sale in the three-months ended June 30, 2020 (2019) is $2,763 ($3,177). Inventory recognized as cost of sale in the nine-months ended June 30, 2020 (2019) is $5,873 ($4,982). No inventory provisions have been recognized in the three or nine month periods ending June 30, 2020 (2019).

8. Prepaid Expenses

The following table presents prepaid expenses as at:

	June 30, 2020	September 30, 2019
Prepaid maintenance	$ 4,065	$ 2,406
Other prepaid expenses	3,754	2,997
	$ 7,819	$ 5,403

9. Contract assets and liabilities

The following table presents net contract assets:

	Net Contract Assets	
	June 30, 2020	June 30, 2019
WIP	$ 75,624	$ 19,397
Unearned contract revenue	(25,687)	(8,034)
Net contract assets	$ 49,937	$ 11,363

The following table presents changes in net contract assets:

	Changes in Net Contract Assets	
	June 30, 2020	June 30, 2019
Opening balance, October 1	$ 30,443	$ 7,335
Net additions	91,139	51,910
Billings	(71,551)	(48,211)
Acquisitions	(94)	329
Ending balance	$ 49,937	$ 11,363

10. Equipment

A continuity of the property and equipment for the nine month period ended June 30, 2020 is as follows:

	Cost				Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions	Total	Depreciation	Accumulated Depreciation	June 30, 2020	June 30, 2019
Leasehold improvements	$ 2,437	$ -	$ -	$ 2,437	$ (185)	$ (573)	$ 1,864	$ 2,109
Equipment	21,379	1,390	418	23,187	(1,240)	(14,005)	9,182	8,896
Total equipment	$ 23,816	$ 1,390	$ 418	$ 25,624	$ (1,425)	$ (14,578)	$ 11,046	$ 11,005
Application software	$ 4,311	$ 1,623	$ -	$ 5,934	$ (332)	$ (3,630)	$ 2,304	$ 1,043
Capitalized research and development	$ 3,217	$ 1,119	$ -	$ 4,336	$ (250)	$ (250)	$ 4,086	$ 3,119

11. 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		731
Disposals		(117)
Depreciation		(2,037)
Balance at June 30, 2020	$	16,993

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	**$**	20,259
Additions		699
Disposals		(129)
Principal Payments		(1,853)
Balance at June 30, 2020	**$**	18,976
Current	$	2,544
Non-current		16,432
Total	$	18,976

The following table presents the contractual undiscounted cash flows for lease obligations as at June 30, 2020:

		Total Undiscounted Lease Obligations
Less than one year	$	3,084
One to five years		11,391
More than five years		6,686
Total undiscounted lease obligations	$	21,161

Total cash outflow for leases in the three month period was $743 and $2,205 for the nine month period ended June 30, 2020, including principal payments relating to lease obligations of $623 for the three month period and $1,853 for the nine month period. Interest expense on lease obligations was $120 for the three month period and $352 for the nine month period ended June 30, 2020. Expenses relating to short-term leases were $75 for the three month period and $144 for the nine month period ended June 30, 2020 recognized in general and administration expenses.

12. 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 Q1 2020.

13. Acquired Intangible Assets

A continuity of the intangible assets for the nine month period ended June 30, 2020 is as follows:

	June 30, 2020			
	Opening Balance	Additions	Amortization	Closing Balance
Customer relationship related to Primacy	$ 1,909	$ -	$ -	$ 1,909
Other customer relationships	8,055	5,955	(1,905)	12,105
Contract with customers & Non-competition agreements	1,083	185	(273)	995
Technology and trademarks	5,652	2,776	(1,304)	7,124
	$ 16,699	$ 8,916	$ (3,482)	$ 22,133

A continuity of the intangible assets for the nine month period ended June 30, 2019 is as follows:

	June 30, 2019			
	Opening Balance	Additions	Amortization and write down	Closing Balance
Customer relationship related to Primacy	$ 1,909	$ -	$ -	$ 1,909
Other customer relationships	3,083	6,353	(872)	8,564
Contract with customers & Non-competition agreements	1,369	296	(373)	1,292
Technology and trademarks	341	6,516	(612)	6,245
	$ 6,702	$ 13,165	$ (1,857)	$ 18,010

14. Accounts Payable and Accrued Liabilities

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

	June 30, 2020	September 30, 2019
Trade accounts payable	$ 42,166	$ 24,748
Payroll accruals	12,107	11,387
Income tax payable (receivable)	1,451	256
Other accruals	10,259	8,667
	$ 65,983	$ 45,058

15. Provisions

Changes in provisions for the nine month period ended June 30, 2020 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2019	$ 801	$ 301	$ 27	$ 1,129
Additions	256	274	83	613
Utilization/Reversals	(532)	(109)	-	(641)
Balance at June 30, 2020	$ 525	$ 466	$ 110	$ 1,101

Changes in provisions for the nine month period ended June 30, 2019 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2018	$ 1,365	$ 414	$ 153	$ 1,932
Additions	289	365	-	654
Utilization/Reversals	(730)	(379)	(4)	(1,113)
Balance at June 30, 2019	$ 924	$ 400	$ 149	$ 1,473

16. Line of Credit

The Company has a Revolving Credit Facility ("RCF") in the amount of $60,000 CAD available. The RCF is committed for a 364 day term with maturity at June 4, 2021, at which point it can be renewed for another 364 day term. At June 30, 2020 (September 30, 2019), the Company utilized NIL ($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 June 30, 2020.

Common share issued and outstanding:

	June 30, 2020		June 30, 2019	
	Shares	Amount	Shares	Amount
Balance October 1	7,929,238	$ 32,515	7,764,762	$ 28,647
Shares issued under employee share plans	116,626	4,026	122,814	2,633
Shares issued under employee stock purchase plan	40,211	1,347	28,941	850
Share repurchases	-	-	(4,279)	(16)
Shares issued through acquisition	62,054	2,500	-	-
Shares issued under public offering	1,568,600	65,847	-	-
Issued capital	9,716,729	$ 106,235	7,912,238	$ 32,114

On February 25, 2020 the Company completed an upsized bought deal offering, under which a total of 1,568,600 Common Shares were sold at a price of $44.00 per Common Share for aggregate gross proceeds of $69,018, including shares issued pursuant to the exercise in full of the over-allotment option granted to the Underwriters. Net proceeds after commissions, issuance costs and deferred tax relating to issuance costs were $65,847.

17. Issued Capital and Reserves (Continued)

Subsequent to the date of the statement of financial position, on August 11, 2020, the date of issuance of these consolidated financial statements, the Company declared a dividend of $0.28 per common share payable on September 8, 2020.

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

Employee Share Purchase Plan

During the three month period ended June 30, 2020 (2019), the Company issued NIL (NIL) shares under the company's previous Employee Share Purchase Plan. During the nine-month period ended June 30, 2020 (2019), the Company issued 28,754 (28,941) shares under the Company's previous Employee Share Purchase Plan at an average price of $24.70 ($26.65). The Company received $710 ($714) in proceeds and recorded an expense of $136 ($136).

On February 6, 2020, the Company adopted a new Employee Share Purchase Plan (the "2020 Employee Share Purchase Plan"). This new plan replaces the previous Employee Share Plan. Under the 2020 Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of June 30, 2020 the Company can issue 488,543 shares.

During the three-month period ended June 30, 2020 under the 2020 Employee Share Purchase Plan, the Company issued 8,472 shares at an average price of $43.05. The Company received $292 in proceeds and recorded an expense of $75. During the nine-month period ended June 30, 2020 under the 2020 Employee Share Purchase Plan, the Company issued 11,457 shares at an average price of $43.71. The Company received $401 in proceeds to date under the new plan and recorded an expense of $124.

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% (874,506) 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 June 30, 2020, the Company has 225,881 stock options and RSUs outstanding. As a result, the Company could grant up to 648,625 additional stock options or RSU's pursuant to the plan.

The weighted average fair value of options granted during the year-to-date ended June 30, 2020 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 nine months ended June 30, 2020:

18. Share-Based Compensation (Continued)

	Weighted Average Options Granted Nine months ended June 30, 2020		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

	June 30, 2020			June 30, 2019		
	Number of Options	Weighted Avg. Exercise Price		Number of Options	Weighted Avg. Exercise Price	
Outstanding October 1	239,400	$	30.57	247,400	$	25.43
Exercised	(102,800)		31.15	(114,600)		19.52
Forfeited	(2,000)		29.55	(5,000)		32.57
Granted	35,000		36.49	128,600		29.52
Outstanding June 30	169,600	$	31.45	256,400	$	29.98

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 May 17, 2017	10,000	May 17, 2017	May 17, 2022	$ 27.30	$ 3.42
(2) Issued November 24, 2017	21,000	November 24, 2017	November 24, 2022	$ 34.58	$ 4.53
(3) Issued March 27, 2018	6,000	March 27, 2018	March 27, 2023	$ 31.54	$ 4.62
(4) Issued November 19, 2018	96,600	November 19, 2018	November 19, 2023	$ 29.55	$ 3.96
(5) Issued February 8, 2019	3,000	February 8, 2019	February 8, 2024	$ 29.06	$ 3.95
(6) Issued November 25, 2019	33,000	November 25, 2019	November 25, 2024	$ 36.49	$ 5.18

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

At June 30, 2020 (2019) the weighted average remaining contractual life of options outstanding is 3.35 (3.66) years of which 127,600 (153,400) options are exercisable at a weighted average price of $31.33 ($29.38). The Company has recorded $52 of share-based compensation expense in three-month period ended June 30, 2020 (June 30, 2019 - $142) related to the options that have been granted. The Company has recorded $226 of share-based compensation expense in nine-month period ended June 30, 2020 (June 30, 2019 - $355) related to the options that have been granted. The Company has total unrecognized compensation expense of $41 (June 30, 2019 - $418) that will be recorded within this fiscal year.

Restricted share units:

The Company has an established a 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

18. Share-Based Compensation (Continued)

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 June 30, 2020:

	June 30, 2020			June 30, 2019		
	Number of RSUs		Weighted Avg. Grant Date Fair Value	Number of RSUs		Weighted Avg. Grant Date Fair Value
Balance at October 1, 2019	47,736	$	30.11	20,970	$	31.40
Exercised	(13,826)		30.26	(8,214)		30.83
Forfeited	(644)		31.60	(1,264)		30.35
Granted	23,015		36.49	36,693		29.52
Balance at June 30, 2020	56,281	$	32.67	48,185	$	30.10

Of the units issued in the current year under the RSU plan, NIL have vested as of June 30, 2020. The Company has recorded $239 of share-based compensation expense in the three month period ended June 30, 2020 (2019 - $187) related to the RSUs that have been granted. The Company has recorded $660 of share-based compensation expense in the nine month period ended June 30, 2020 (2019 - $525) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of $714 at June 30, 2020 (2019 - $770) 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	2,881	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	28,643	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	22,915	November 25, 2019	November 15, 2022	$	36.49

Deferred share unit plan

During the nine month period ended June 30, 2020 (2019) the Company granted 2,799 (2,996) deferred share units ("DSU"). The Company recorded share-based compensation of $29 (2019 – $65) related to the DSUs in the three month period ended June 30, 2020 (2019) and $702 (2019 - $195) in the nine month period ended June 30, 2020 (2019). 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.

There are 23,713 (19,864) DSUs outstanding at June 30, 2020 (2019). The fair value of the DSUs outstanding at June 30, 2020 (2019) was $49.76 ($28.65) per unit using the fair value of a Common Share at period end. The company recorded a fair value adjustment in general and aministration expense during the three month period ended June 30, 2020 (2019) of $391 (NIL) and $472 (NIL) in the nine month period ended June 30, 2020 (2019).

19. Revenue

The following table presents the revenue of the Company for the three and nine month periods ended June 30, 2020 and 2019:

	Three Months Ended		Nine months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Product revenue				
Advanced Technologies	$ 25,357	$ 19,452	$ 83,112	$ 46,202
Health	7,650	-	7,650	-
Learning	-	-	-	-
Information Technology	2,163	1,235	6,599	2,449
Service revenue				
Advanced Technologies	10,555	11,091	32,701	32,058
Health	36,286	29,273	98,537	84,432
Learning	11,110	15,628	43,551	49,115
Information Technology	12,407	12,116	37,113	37,874
	$ 105,528	$ 88,795	$ 309,263	$ 252,130

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 June 30, 2020 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:

	June 30, 2020
Less than 24 months	384,103
Thereafter	391,069
Total	775,172

20. Net Profit per Share

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

	Three months ended June 30		Nine months ended June 30	
	2020	2019	2020	2019
Weighted average number of common shares – basic	9,677,680	7,886,405	8,815,199	7,819,330
Additions to reflect the dilutive effect of employee stock options and RSU’s	109,611	94,690	65,831	33,998
Weighted average number of common shares – diluted	9,787,291	7,981,095	8,881,030	7,853,328

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 three months ended June 30, 2020 (2019), NIL (81,600) options and NIL (NIL) RSU’s were excluded from the above computation. For the nine months ended June 30, 2020 (2019), NIL (210,200) options and NIL (NIL) 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 income and income tax expense.

For three-months ended June 30, 2020:

For the three months ended June 30, 2020	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	$ 35,912	$ 43,936	$ 11,110	$ 14,570	$ -	$ 105,528
Cost of revenues	27,386	34,686	8,721	12,204	-	82,997
Gross profit	8,526	9,250	2,389	2,366	-	22,531
Gross profit %	24 %	21 %	22 %	16 %	N/A %	21 %
Selling and marketing	1,181	530	252	725	499	3,187
General and administration	1,671	1,972	637	736	4,832	9,848
Research and development	308	182	-	-	-	490
Profit before under noted items	$ 5,366	$ 6,566	$ 1,500	$ 905	$ (5,331)	$ 9,006
Profit before under noted items %	15 %	15 %	14 %	6 %	N/A %	9 %
Depreciation of equipment and application software						851
Depreciation of right of use asset						681
Amortization of acquired intangibles						1,376
Other changes in fair value						-
Changes in fair value related to contingent earn-out						393
Profit before interest income and income tax expense						5,705
Lease interest expense						120
Interest expense (income)						(75)
Profit before income tax expense						5,660
Income tax expense – current						2,022
Income tax expense – deferred						(228)
Total income tax expense						1,794
NET PROFIT FOR THE PERIOD						$ 3,866

21. Segmented Information (Continued)

For three-months ended June 30, 2019:

For the three months ended June 30, 2019	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	$ 30,543	$ 29,273	$ 15,628	$ 13,351	$ -	$ 88,795
Cost of revenues	22,081	23,550	12,468	11,362	-	69,461
Gross profit	8,462	5,723	3,160	1,989	-	19,334
Gross profit %	28 %	20 %	20 %	15 %	N/A %	22 %
Selling and marketing	1,519	199	204	587	438	2,947
General and administration	1,995	1,035	771	641	4,854	9,296
Research and development	343	-	-	-	-	343
Profit before under noted items	$ 4,605	$ 4,489	$ 2,185	$ 761	$ (5,292)	$ 6,748
Profit before under noted items %	15 %	15 %	14 %	6 %	N/A %	8 %
Depreciation of equipment and application software						563
Amortization of acquired intangibles						1,006
Other changes in fair value						(650)
Changes in fair value related to contingent earn-out						347
Profit before interest income and income tax expense						5,482
Interest expense (income)						41
Profit before income tax expense						5,441
Income tax expense – current						1,331
Income tax expense – deferred						(187)
Total income tax expense						1,144
NET PROFIT FOR THE PERIOD						$ 4,297

21. Segmented Information (Continued)

For nine-months ended June 30, 2020:

For the nine months ended June 30, 2020	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	$ 115,813	$ 106,187	$ 43,551	$ 43,712	$ -	$ 309,263
Cost of revenues	88,846	83,689	34,429	36,010	-	242,974
Gross profit	26,967	22,498	9,122	7,702	-	66,289
Gross profit %	23 %	21 %	21 %	18 %	N/A %	21 %
Selling and marketing	3,859	1,172	757	2,047	1,473	9,308
General and administration	4,898	4,746	2,104	1,956	14,330	28,034
Research and development	1,039	301	-	-	-	1,340
Profit before under noted items	$ 17,171	$ 16,279	$ 6,261	$ 3,699	$ (15,803)	$ 27,607
Profit before under noted items %	15 %	15 %	14 %	8 %	N/A %	9 %
Depreciation of equipment and application software						2,007
Depreciation of right of use asset						2,037
Amortization of acquired intangibles						3,482
Other changes in fair value						(101)
Changes in fair value related to contingent earn-out						889
Profit before interest income and income tax expense						19,293
Lease interest expense						352
Interest expense (income)						166
Profit before income tax expense						18,775
Income tax expense – current						6,049
Income tax expense – deferred						(749)
Total income tax expense						5,300
NET PROFIT FOR THE PERIOD						$ 13,475

21. Segmented Information (Continued)

For nine-months ended June 30, 2019:

For the nine months ended June 30, 2019	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	$ 78,260	$ 84,432	$ 49,115	$ 40,323	$ -	$ 252,130
Cost of revenues	56,096	67,637	39,538	34,546	-	197,817
Gross profit	22,164	16,795	9,577	5,777	-	54,313
Gross profit %	28 %	20 %	19 %	14 %	N/A %	22 %
Selling and marketing	3,614	576	712	1,507	1,320	7,729
General and administration	5,632	2,945	2,108	1,911	14,006	26,602
Facilities	984	-	-	-	-	984
Profit before under noted items	$ 11,934	$ 13,274	$ 6,757	$ 2,359	$ (15,326)	$ 18,998
Profit before under noted items %	15 %	16 %	14 %	6 %	N/A %	8 %
Depreciation of equipment and application software						1,598
Amortization of acquired intangibles						1,708
Other changes in fair value						(650)
Changes in fair value related to contingent earn-out						726
Profit before interest income and income tax expense						15,616
Interest expense (income)						(14)
Profit before income tax expense						15,630
Income tax expense – current						4,336
Income tax expense – deferred						(222)
Total income tax expense						4,114
NET PROFIT FOR THE PERIOD						$ 11,516

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

	June 30, 2020	June 30, 2019
Canada	74 %	85 %
United States	22 %	12 %
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 June 30, 2020 (2019) represented 56% (69%) 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 European Euro ("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 prevailing at the reporting date which are then translated into the Company's reporting currency using prevailing rates 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

22. Financial Instruments and Risk Management (Continued)

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 June 30, 2020, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value June 30, 2020
SELL	$ 131,030	USD	July 2020	$ 177,808	$ 1,127
SELL	4,955	EURO	July 2020	7,565	58
SELL	296	CHF	July 2020	425	3
Derivative assets					$ 1,188
SELL	$ 51,786	USD	July 2020	$ 70,274	$ (445)
BUY	1,010	EURO	July 2020	1,542	(12)
BUY	819	CHF	July 2020	1,176	(10)
Derivative liabilities					$ (467)

A 10% strengthening of the Canadian dollar against the following currencies at June 30, 2020 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	June 30, 2020
USD	$ 9,776
EURO	548
CHF	(68)
Total	$ 10,256

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 increased Net Profit (a 10% weakening against the USD would have had the opposite effect) by the amounts shown below.

	June 30, 2020
USD	$ 6
EURO	375
Total	$ 381

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 June 30, 2020 (September 30, 2019), 49% (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.

22. Financial Instruments and Risk Management (Continued)

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

	June 30, 2020	September 30, 2019
Cash and cash equivalents	$ 46,296	$ 17,135
Accounts receivable	87,021	63,977
Derivative assets	1,188	96
Total	$ 134,505	$ 81,208

The aging of accounts receivable at the reporting date was:

	June 30, 2020	September 30, 2019
Current	$ 84,687	$ 60,574
Past due (61-120 days)	1,472	1,249
Past due (> 120 days)	862	2,154
Total	$ 87,021	$ 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 June 30, 2020, the company has a secured credit facility, subject to annual renewal, that allows the Company to borrow funds up to an aggregate of $60,000. At as June 30, 2020, NIL was drawn on the facility for current operations, and $130 was drawn to issue letters of credit to meet customer contractual requirements.

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 June 30, 2020 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).

22. Financial Instruments and Risk Management (Continued)

	June 30, 2020		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 46,296	$ -	$ -
Investment and loan receivable	-	-	670
Derivative financial assets	-	1,188	-
Contingent earn-out	-	-	(9,763)
Derivative financial liabilities	-	(467)	-
Total	$ 46,296	$ 721	$ (9,093)

	September 30, 2019		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 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 and nine month periods ended June 30, 2020.

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 June 30, 2020, the second year target was met, and overachieved, resulting in an other changes in fair value related to contingent earn out loss in the statement of Net Profit of $224 for the three-month period ended June 30, 2020, and a total amount payable of $1,024 for the second and final year. This amount is outstanding at June 30, 2020.

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 June 30, 2020, $3,215 is included in contingent earn-out liability.

23. Acquisitions (Continued)

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 ended 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 June 30, 2020, $2,924 is included in contingent earn-out liability.

Allphase Clinical Research Services Inc. and Alio Health Services Inc. (collectively “Alio/Allphase”)

Alio/Allphase serve the pharmaceutical and medical device industry and the broader health care sector with clinical trial services, specialty medication support and community care and other services, all enabled by an innovative health care delivery management software application. Alio/Allphase is reported as part of the Health operating segment.

On January 30, 2020, the Company acquired all of the outstanding shares of Alio/Allphase for a purchase price of up to $25,056. Of this amount, $10,500 was paid in cash on the date of closing, $56 is to be paid in cash on settlement of net equity, $2,500 was paid in common shares, and $12,000 is payable contingently, of which $3,000 is included in the purchase price.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Alio/Allphase an additional $6,000 and $6,000 if Alio/Allphase attains specified levels of EBITDA for the years ending January 30, 2021 and 2022, respectively. This contingent consideration is recognized at its present and risk adjusted value of $2,355 at the date of acquisition and will be accreted to face value over the term of the earn-out. This represents the second year earn out amount only, as the first year earn out is unlikely to be achieved. To date, $145 in change in fair value related to contingent earn out has been recognized. Alio/Allphase changed their estimate, resulting in a recovery of $100 in contingent earnout relating to an acquisition that occurred previous to January 30, 2020. This amount is included in other changes in fair value related to contingent earn out in the statement of Net Profit.

23. Acquisitions (Continued)

The following are the assets acquired and liabilities recognized at the date of the acquisitions of Alio/Allphase:

	Assets Acquired	Purchase Price Accounting	Total Assets Acquired
Cash and equivalents	$ 67	$	$ 67
Receivables	3,227		3,227
WIP	-		-
Inventory	-		-
Prepaids and other	79		79
	$ 3,373	$ -	$ 3,373
Fixed assets (net)	$ 76	$ -	$ 76
Intangible assets	361	8,555	8,916
Goodwill	498	8,068	8,566
	$ 4,308	$ 16,623	$ 20,931
Payables and accrued liabilities	$ 1,814	$ -	$ 1,814
Long term payable	1,022	-	1,022
Deferred income	95	-	95
Taxes payable	-	-	-
Contingent earn-out	200	-	200
Deferred tax liability	122	2,267	2,389
	$ 3,253	$ 2,267	$ 5,520
Net purchase price			$ 15,411
Discount on contingent consideration			645
Total purchase price			$ 16,056

	Alio/Allphase
Consideration paid in cash	$ 10,500
Less- cash balance acquired	(67)
	$ 10,433

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

24. Contingent Earn-Out

The following shows the contingent consideration activity for the nine month period ending June 30, 2020:

Company Acquired	Beginning balance	Acquisitions	Payments	Interest accretion	Adjustments	Ending balance
Secure Tech	$ 800	$ -	$ -	$ -	$ 224	$ 1,024
IntraGrain Technologies	2,885	-	-	330	-	3,215
SatService	2,634	-	-	290	-	2,924
Alio/Allphase	-	2,555	-	145	(100)	2,600
Total	$ 6,319	$ 2,555	$ -	$ 765	$ 124	$ 9,763

Changes relating to interest accretion for the three-month period ended June 30, 2020 (2019) was $269 ($347). Changes related to adjustment of contingent Earn-out amounts in the three month period ended June 30, 2020 (2019) was $124 (Nil). As at June 30, 2020, the total gross value of all contingent consideration outstanding is $19,582.

The following shows the contingent consideration activity for the nine month period ending June 30, 2019:

Company Acquired	Beginning balance	Acquisitions	Payments	Interest accretion	Adjustments	Ending balance
ISR	$ 1,566	$ -	$ (1,640)	$ 74	$ -	$ -
Secure Tech	1,600	-	-	(800)	-	800
IntraGrain Technologies	-	4,689	-	488	-	5,177
SatService	-	4,252	-	164	-	4,416
Total	$ 3,166	$ 8,941	$ (1,640)	$ (74)	$ -	$ 10,393

25. Related Party Transactions

During the three month period ended June 30, 2020 (2019), the Company had sales of $690 ($1,077) to GrainX in which Calian holds a non-controlling equity investment. For the nine month period ended June 30, 2020 (2019) the company had sales of $930 ($1,321). At June 30, 2020 (2019), the Company had an accounts receivable balance with GrainX of $547 ($778) 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 ($46) for the three months and $138 ($146) for the nine months ended June 30, 2020 (2019). Lease terms are within normal course of operations and are representative of fair market value.

26. 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.

27. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation whereby facilities expense of $1,346 for the three month period, and $3,944 for the nine month period ending June 30, 2019 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 $343 for the three month period and $984 for the nine month period ended June 30, 2019 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 expense 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.

28. Subsequent Events

Effective July 8, 2020, the Company acquired the outstanding shares of Custom Training Solutions AS ("CTS"), located in Stavanger, Norway for total cash consideration of up to $1,982 (13,800 NOK) of which, $1,135 (7,900 NOK) was paid on closing, and $847 (5,900 NOK) is payable contingently. CTS was acquired to expand the Company's training practice through its complex training exercises for the Joint Warfare Centre, and the wider North Atlantic Treaty Organization ("NATO") audience across Europe. CTS will be reported as part of the Learning operating segment and fully consolidated as of July 8, 2020.

Effective July 14, 2020, the Company acquired the outstanding shares of EMSEC Solutions Inc. ("EMSEC"), for total cash consideration of up to $4,800 of which, $3,000 was paid on closing, and $1,800 is payable contingently. EMSEC was acquired to expand the Company's cyber security practice through customized services include vulnerability assessments, monitoring, training, risk mitigation and countermeasure sweeps. EMSEC will be reported as part of the IT operating segment and fully consolidated as of July 14, 2020.

Final purchase price allocation to be included in the September 30, 2020 financial statements.