Independent Auditor's Report

To the Shareholders and the Board of Directors of Calian Group Ltd.

Opinion

We have audited the consolidated financial statements of Calian Group Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and September 30, 2018, and the consolidated statements of net profit, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Amy deRidder.

Chartered Professional Accountants
Licensed Public Accountants
Ottawa, Canada
November 25, 2019

CALIAN GROUP LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2019 and 2018
(Canadian dollars in thousands)

	NOTES	September 30, 2019	September 30, 2018 *Restated (Note 3)*
ASSETS			
CURRENT ASSETS			
Cash		$ 17,135	$ 21,842
Accounts receivable	7	63,977	69,096
Work in process	10	39,221	17,377
Inventory	8	3,147	1,498
Prepaid expenses	9	5,403	3,879
Derivative assets	27	96	1,021
Total current assets		128,979	114,713
NON-CURRENT ASSETS			
Capitalized research and development	11	3,216	1,449
Equipment	11	10,965	9,795
Application software	11	1,013	788
Investment and loan receivable	12	452	435
Acquired intangible assets	13	16,699	6,702
Goodwill	14	33,702	18,236
Total non-current assets		66,047	37,405
TOTAL ASSETS		$ 195,026	$ 152,118
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Line of Credit	18	$ 13,000	$ -
Accounts payables and accrued liabilities	15	45,058	33,915
Contingent earn-out	16	800	3,166
Provisions	17	1,129	1,932
Unearned contract revenue	10	8,778	10,042
Deferred tax liabilities	23	922	297
Derivative liabilities	27	143	525
Total current liabilities		69,830	49,877
NON-CURRENT LIABILITIES			
Contingent earn-out	16	5,519	-
Deferred tax liabilities	23	4,603	2,191
Total non-current liabilities		10,122	2,191
TOTAL LIABILITIES		79,952	52,068
SHAREHOLDERS' EQUITY			
Issued capital	19	32,515	28,647
Contributed surplus		1,817	1,065
Retained earnings		81,608	70,521
Accumulated other comprehensive loss		(866)	(183)
TOTAL SHAREHOLDERS' EQUITY		115,074	100,050
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 195,026	$ 152,118
Number of common shares issued and outstanding	19	7,929,238	7,764,762

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

Approved by the Board on November 25, 2019:

Ken Loeb
Chairman

Richard Vickers
Director

CALIAN GROUP LTD.
CONSOLIDATED STATEMENTS OF NET PROFIT
For the years ended September 30, 2019 and 2018
(Canadian dollars in thousands, except per share data)

	NOTES	Year ended September 30, 2019	*Restated (Note 3)* 2018
Revenue			
Advanced Technologies		$ 109,697	$ 99,201
Health		115,718	99,458
Learning		63,098	61,552
Information Technology		54,531	44,857
Total Revenue	21	343,044	305,068
Cost of revenues		268,387	240,994
Gross profit		74,657	64,074
Selling and marketing		10,499	9,188
General and administration		31,706	24,829
Facilities		5,306	4,722
Profit before under noted items		27,146	25,335
Depreciation of equipment and application software	11	2,220	1,807
Amortization of acquired intangible assets	13	3,168	1,193
Gain on change in estimate	28	(5,172)	-
Profit before interest income and income tax expense		26,930	22,335
Accretion interest expense related to acquisitions	16	1,023	93
Interest expense (income)		36	(320)
Profit before income tax expense		25,871	22,562
Income tax expense – current		6,318	6,645
Income tax expense – deferred		(439)	(374)
Total income tax expense	23	5,879	6,271
NET PROFIT		**$ 19,992**	**$ 16,291**
Net profit per share:			
Basic	22	$ 2.55	$ 2.11
Diluted	22	$ 2.54	$ 2.10

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

CALIAN GROUP LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended September 30, 2019 and 2018
(Canadian dollars in thousands)

		Year ended September 30,	
			Restated (Note 3)
	NOTES	**2019**	**2018**
NET PROFIT		$ 19,992	$ 16,291
Other comprehensive income, net of tax			
Items that will be reclassified subsequently to net profit			
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of $217 (2018 - $52).		(683)	(113)
Other comprehensive income (loss), net of tax		(683)	(113)
COMPREHENSIVE INCOME		**$ 19,309**	**$ 16,178**

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

CALIAN GROUP LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended September 30, 2019 and 2018
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2018		**$ 28,647**	**$ 1,065**	**$ 70,521**	**$ (183)**	**$ 100,050**
Comprehensive income		-	-	19,992	(683)	19,309
Dividend paid ($1.12 per share)		-	-	(8,803)	-	(8,803)
Share repurchase		(16)	-	(102)	-	(118)
Issuance of shares under employee stock purchase plan	19,20	850	-	-	-	850
Issuance of shares under stock option plan	19	3,034	(430)	-	-	2,604
Share-based compensation expense	20	-	1,182	-	-	1,182
Balance September 30, 2019		**$ 32,515**	**$ 1,817**	**$ 81,608**	**$ (866)**	**$ 115,074**

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total *Restated (Note 3)*
Balance October 1, 2017		**$ 26,240**	**$ 541**	**$ 62,898**	**$ (70)**	**$ 89,609**
Comprehensive income		-	-	16,291	(113)	16,178
Dividend paid ($1.12 per share)		-	-	(8,668)	-	(8,668)
Issuance of shares under employee stock purchase plan	19,20	551	-	-	-	551
Issuance of shares under stock option plan	19	1,856	(196)	-	-	1,660
Share-based compensation expense	20	-	720	-	-	720
Balance September 30, 2018		**$ 28,647**	**$ 1,065**	**$ 70,521**	**$ (183)**	**$ 100,050**

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

CALIAN GROUP LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2019 and 2018
(Canadian dollars in thousands)

		Year ended September 30,	
	NOTES	**2019**	*Restated (Note 3)* **2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		$ 19,992	$ 16,291
Items not affecting cash:			
Interest expense (income)		36	(320)
Accretion interest expense related to acquisitions	16	1,023	93
Income tax expense	23	5,879	6,271
Employee share purchase plan	20	173	133
Share based compensation	20	1,182	720
Depreciation and amortization	11,13	5,388	3,000
Gain on change in estimate	28	(5,172)	-
		28,501	26,188
Change in non-cash working capital			
Accounts receivable		6,334	(12,868)
Work in process		(20,973)	1,544
Prepaid expenses		(1,395)	(818)
Inventory		1,216	(929)
Accounts payable and accrued liabilities		8,167	5,563
Unearned contract revenue		(1,806)	(412)
		20,044	18,268
Interest received (paid)		(127)	285
Income tax paid		(6,384)	(7,170)
		13,533	11,383
CASH FLOWS USED IN FINANCING ACTIVITIES			
Issuance of common shares	19,20	3,316	2,122
Dividends		(8,803)	(8,668)
Draw on line of credit	18	13,000	-
Share repurchase		(118)	-
		7,395	(6,546)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments and loan receivable	12	-	(150)
Business acquisitions	28	(20,849)	(4,975)
Capitalized research and development	11	(1,768)	(1,149)
Equipment and application software	11	(3,018)	(5,360)
		(25,635)	(11,634)
NET CASH (OUTFLOW) INFLOW		$ (4,707)	$ (6,797)
CASH, BEGINNING OF PERIOD		21,842	28,639
CASH, END OF PERIOD		$ 17,135	$ 21,842

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

CALIAN GROUP LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended September 30, 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 consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB") and in place for September 30, 2019. These consolidated financial statements were prepared using the accounting policies as described in Note 2 – Summary of significant accounting policies.

These consolidated financial statements for the year ended September 30, 2019 were authorized for issuance by the Board of Directors on November 25, 2019.

2. Summary of Significant Accounting Policies

The accounting policies below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise stated.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Calian Ltd. located in Ottawa, Ontario, Primacy Management Inc., located in Burlington, Ontario, DWP Solutions Inc., located in Ottawa, Ontario, PriorityOne Workplace Health Inc. and William J Barker Clinical Psychologists Ltd. (collectively “Priority One”), located in Calgary, Alberta, Secure Technologies International Inc. (“Secure Tech”), located in Ottawa, Ontario, IntraGrain Technologies Inc. (“IntraGrain”) located in Regina, Saskatchewan, SatService Gesellschaft für Kommunikationssysteme mbH (“SatService”) located in Steisslingen, Germany. All transactions and balances between these companies have been eliminated on consolidation.

Basis of presentation

The consolidated financial statements are presented at historical cost unless otherwise noted. Historical cost is generally based on the fair value of the consideration given in exchange for the asset or liability.

2. Summary of Significant Accounting Policies (Continued)

Revenue recognition

The Company recognizes revenue from the following sources, although this list is not exhaustive:

Service revenue

- Advanced Technologies support services across a number of industries, and product development
- Healthcare services including clinic management, healthcare practitioner support and psychological assessments
- Learning services including, Custom Training for the military, emergency preparedness and simulation training
- IT services including IT support services, systems implementation services, and cyber security consulting services

Product revenue

- Sale of internally developed hardware and software products
- Resale of radio frequency communications product
- Resale of IT product which can include hardware and software
- Manufacturing and installation of large satellite antennae ground systems

(a) Revenue recognition:

Revenue is recognized in profit or loss in accordance with the pattern of satisfying the Company's performance obligations under a contract. This satisfaction occurs when control of a good or service transfers to the customer. In the majority of the Company's contracts, the customer controls the work in process as evidenced by the right to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use to the Company. Based on the nature of these contractual arrangements, control is transferred over time and revenue is recognized over time.

For each performance obligation satisfied over time, the Company will recognize revenue by measuring progress toward complete satisfaction of that performance obligation using the input method. In this way, the Company recognizes revenue in a pattern that reflects the transfer of control of the promised goods or services to the customer. Fixed price contracts are recognized using the input method with reference to costs incurred. If the outcome of a contract cannot be estimated reliably for management to estimate the ultimate profitability of the contract with a reasonable degree of certainty, no profit is recognized. When further clarity is gained throughout the progression of the contract, the constrained margin and associated revenue will be reassessed. Revenue from cost plus arrangements is recognized as services are performed and costs are incurred.

Revenue from generic product sales, or product that does not meet criteria for over time recognition is measured at a point in time following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contracts.

Revenue from contract modifications, commonly referred to as change orders or purchase orders issued on contracts, will be recognized to the extent that the contract modifications have been approved by the customer and the amount can be measured reliably. In cases where the contract modification is approved, but the price has not been finalized, the Company will account for the contract modification using variable consideration guidance described below.

2. Summary of Significant Accounting Policies (Continued)

For a portion of customer arrangements, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability (even if that single project results in the delivery of multiple units). The Company therefore considers that the entire contract results in the delivery of a single performance obligation. Less commonly, the Company may promise to provide distinct goods or services within a contract in which case the contract is separated into the associated performance obligations as assessed from the customer's perspective. If a contract contains multiple performance obligations, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. When the Company is contracted to construct customer specific projects, the budgets and overall transaction prices are built up using the Company's best estimate of costs associated to complete the customized project using the appropriate overhead and subcontractor rates for a given project and location. This approach to estimate the overall costs and associated revenues is considered the most appropriate assessment of the standalone selling price for the associated performance obligations.

In certain contracts for products, the Company may agree to provide warranty and maintenance services for periods that can extend up to 5 years. Warranty and maintenance is often included in the transaction price and is an after–sales service. Upon expiration, the warranty period may be extended at the customer's option. Regardless of whether a renewal option exists in a contract, the Company does not account for a renewal option until this option is agreed upon. This is subsequently accounted for at the agreed upon price on renewal. Consequently, the option to extend the renewal period does not provide customers with any advantage when they enter into the initial contract and therefore no revenue has been deferred relating to this renewal option.

The maintenance or warranty service is considered to be a distinct service when it is both regularly supplied by the Company to other customers on a stand-alone basis and is available for customers from other providers in the market. When these criteria are met, the warranty is considered a service type warranty where a portion of the transaction price is allocated to the maintenance services based on the stand-alone selling price of those services. Revenue relating to the maintenance services is recognized over time as the service is provided and incurs warranty costs over the satisfaction of the performance obligation. Assurance type warranties are those that promise to the customer that the delivered product will function as intended and will comply with agreed-upon specifications. Assurance type warranty costs are recognized as a provision in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, based on the progress of the other performance obligations in the contract, and the provision recognized is reduced as costs are incurred or reversed if no longer required.

If estimated total costs on any contract, including any inefficient costs, are greater than the net contract revenues, IFRS 15, Revenue from Contracts with Customers indicates IAS37, Provisions, Contingent Liabilities and Contingent Assets, should be applied as the contract is considered onerous. IAS37 however contains no further requirements as to the measurement of onerous contracts. On adoption of IFRS15, all loss provisions for contracts with customers follow the same policy for the definition of unavoidable costs to fulfilling the contract. The Company defines unavoidable costs as the costs that the Company cannot avoid because it has the contract (for example, this would include an allocation of overhead costs if those costs are incurred for activities required to complete the contract).

(b) Contract assets and liabilities

Any excess of costs and estimated earnings over progress billings on construction contracts is carried as a contract asset in the financial statements. Any excess of progress billings over earned revenue on construction contracts is carried as a contract liability in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

Contract assets and liabilities (or "work in process" and "unearned contract revenue", respectively) are reported in a net position on a contract-by-contract basis at the end of each reporting period. All contract assets and liabilities are classified as current in the financial statements as they are expected to be settled within the Company's normal operating cycle.

(c) Provisions:

Provisions are recognized when, at the financial statement date, the Company has a present obligation as a result of a past event, and it is more likely than not that the Company will be required to settle that obligation and the cash outflow can be estimated reliably. The amount recognized for provisions is the best estimate of the expenditure to be incurred. Provisions are measured at their present value.

Provisions include:

i. Provisions for potential warranty claims relating to construction projects. These claims are usually settled during the project's warranty period. A provision is recognized when it is more likely than not that a warranty claim will arise. The amount recognized is the best estimate of the amount required to settle the warranty issue.

ii. Provisions for loss contracts are recorded when costs are determined to be greater than total revenues for the contract. Losses from any construction contracts are recognized in full in the period the loss becomes apparent. The loss provision will be net of management's estimate of probable expected recoveries, which differs from the criterion used for revenue recognition.

Share-based compensation

The Company has a stock option plan for executives and other key employees. The Company measures and recognizes compensation expense based on the grant date fair-value of the stock options issued using the Black-Scholes pricing model. The offsetting credit is recorded in contributed surplus. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense for each tranche is recorded on a straight-line basis over the vesting period based on the Company's estimate of share options that will ultimately vest. At each reporting period, the Company revises its estimate of the stock options expected to vest. The impact on the change in estimate, if any, is recognized over the remaining vesting period. Consideration paid by employees on the exercise of options and related amounts of contributed surplus are recorded as issued capital when the shares are issued.

The Company has a restricted share unit plan for executives and other key employees. The Company measures and recognizes compensation expense based on the grant date fair-value of the units issued using the market value based on the price at the date preceding the grant. The offsetting credit is recorded in contributed surplus. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense for each tranche is recorded on a straight-line basis over the vesting period based on the Company's estimate of units that will ultimately vest. At each reporting period, the Company revises its estimate of the units expected to vest. The impact on the change in estimate, if any, is recognized over the remaining vesting period.

The Company has an employee stock purchase plan available to all employees of the Company. The plan provides for a discount to the fair market value at the date the shares are issued. Compensation expense representing the discount is recorded as general and administration expenses with an offsetting amount to issued capital.

2. Summary of Significant Accounting Policies (Continued)

Leases

Leases entered into are classified as either finance or operating leases. Leases that transfer substantially all of the risks and rewards of ownership of property to the Company are accounted for as finance leases. For leases which are classified as operating leases, lease payments are recognized as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis. The Company does not have any finance leases. Refer to Note 4, Future Changes in Accounting Policies for the Company's analysis on the implementation of IFRS 16, Leases for the next fiscal year.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net profit, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

The tax currently payable is based on taxable income for the period using tax rates enacted or substantively enacted as at each reporting period and any adjustments to tax payable related to previous years. Taxable profit differs from profit as reported in the consolidated statement of net profit because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is recognized using the balance sheet method, providing for differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used for taxation purposes calculated using the tax rates in effect when the differences are expected to reverse.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences, and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at each reporting period. The measurement of deferred tax liabilities and assets

2. Summary of Significant Accounting Policies (Continued)

reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Capitalized Research and Development (“R&D”)

Research costs are expensed as incurred. Internally developed internal-use asset costs incurred in the development phase of a project are capitalized. Certain costs incurred in connection with the development of assets to be used internally are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of development. Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Company are recognized as assets when the following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use;
- there is an ability and management intends to complete the asset for use or sale;
- it can be demonstrated how the asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available; and
- the expenditure attributable to the asset during its development can be reliably measured.

Costs that qualify for capitalization include both internal and external costs, but are limited to those that are directly related to the specific project. Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in net profit over the estimated useful life of the underlying assets.

Capitalized R&D is measured at cost and depreciated once the assets are available for use. Costs include expenditures that are directly attributable to its construction.

Equipment

Equipment, comprising furniture and computer equipment, along with leasehold improvements, is stated at cost less accumulated depreciation and impairment losses, if any. The carrying value is net of any related government assistance and investment tax credits. Depreciation is recognized in net profit on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the term of the leases. The estimated useful lives are as follows:

- Leasehold improvements: over the term of each lease
- Equipment: 5 to 10 years

The estimated useful lives, residual values and depreciation methods are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

Application software

Application software is measured at cost less accumulated depreciation and is amortized on a straight-line basis over its estimated useful life not exceeding five years. The amortization method and estimate of useful lives are reviewed annually.

2. Summary of Significant Accounting Policies (Continued)

Acquired intangible assets

Acquired intangible assets are measured at cost less accumulated amortization. Amortization is recognized in net profit over the estimated useful lives of the underlying assets. The estimated useful lives are as follows:

- Customer relationship Primacy: indefinite
- Other customer relationships: 3 to 5 years
- Contracts with customers: 3 to 5 years
- Non-competition agreements: 2 to 5 years
- Technology and Trademarks: 2 to 5 years

The customer relationship from the Primacy acquisition, representing expected renewals of the acquired contract, is considered to have an indefinite life based on the fact that the contract is renewable on an annual basis indefinitely. The amortization method and estimate of useful life for all other intangible assets is reviewed annually.

Impairment of equipment, application software and intangible assets

At each reporting period, management reviews the carrying amounts of its equipment, application software and acquired intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets with an indefinite life are also tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units. The Company performs its annual review of acquired intangible assets with an indefinite life on September 30th each year.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Current year impairment testing occurred due to triggering events relating to intangible assets described in Note 27 where the triggering event was the change in estimate on the contingent earn out payable. In order to calculate the value in use of the intangible assets, the Company calculated the present value of discounted cash flows that relate specifically to these cash generating units for which the intangibles relate. Assumptions were made on the forecasted cash flows for the cash generating units, and discount rates used in the present value.

Impairment of goodwill

Goodwill arising on the acquisition of a business represents the excess of the purchase price over the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired businesses recognized at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured

2. Summary of Significant Accounting Policies (Continued)

at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units or groups of cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that the unit might be impaired. For purposes of impairment testing of goodwill, cash-generating units or groups of cash generating units correspond to the Company's reporting segments as disclosed in Note 26.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the cash-generating unit on a pro-rata basis. An impairment loss recognized for goodwill is not reversed in a subsequent period. The Company performs its annual review of goodwill on September 30th each year.

At September 30, 2019 and 2018, management assessed the recoverable amount of goodwill and concluded that a goodwill impairment charge was not required. The recoverable amount of the cash-generating units or groups of cash generating units was assessed by reference to value in use.

For the years ended September 30, 2019 and 2018, a discount factor assumption of 12% to 15% and a growth rate assumption of 0% to 5% were used in arriving at value in use for the segments. Outlook for the next fiscal year was used as the basis for the future cash flow estimates and the future estimated growth rates were validated by comparing to average growth levels for the previous 3 years.

Business acquisition

Acquisition of businesses is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, and liabilities incurred by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are generally expensed in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 *Income Taxes.*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes a payment subject to the retention of the principal shareholders, the amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration of the purchase, and is expensed on a straight-line basis over the retention period in the Company's consolidated statement of net profit as deemed compensation related to acquisitions.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments

2. Summary of Significant Accounting Policies (Continued)

are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Foreign currency translation

Transactions in currencies other than the Company’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. 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. At each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at each reporting period. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in net profit in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currencies (see note below for hedging policy).

The functional currency of the parent company and its subsidiaries is the Canadian dollar, except for SatService which is in Euro.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All financial assets are recognized and de-recognized on trade date. The classification of financial assets depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company’s financial assets are classified as follows:

Cash	Amortized cost
Accounts receivable	Amortized cost
Investment and loan receivable	Amortized cost
Derivative assets	Fair value through other comprehensive income (“OCI”)

2. Summary of Significant Accounting Policies (Continued)

Amortized cost

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for accounts receivable, where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, and impairment and any gain or loss on de-recognition are recognized in profit and loss.

Impairment of financial assets

The company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables, financial difficult of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization. Financial assets are written off when there is no reasonable expectation of recovery.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are as follows:

Line of credit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Contingent earn-out	Amortized cost
Provisions	Amortized cost
Derivative liabilities	Fair value through OCI

Fair value hierarchy

The Company's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are:

Level 1 values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the Company's assessment of the lowest level input that is the most significant to the fair value measurement.

Derivative financial instruments and risk management

The Company enters into derivative financial instruments, mainly foreign exchange forward contracts to manage its foreign exchange rate risk. The Company's policy does not allow management to enter into derivative financial instruments for trading or speculative purposes. Foreign exchange forward contracts

2. Summary of Significant Accounting Policies (Continued)

are entered into to manage the foreign exchange rate risk on foreign denominated financial assets and liabilities and foreign denominated forecasted transactions.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into with transaction costs recognized in profit and loss. Derivatives are subsequently re-measured to their fair value at each reporting period. The resulting gain or loss is recognized in net profit immediately unless the derivative is designated and effective as a hedging instrument, in which event the effective portion of changes in the fair value of the derivative is recorded in other comprehensive income and is recognized in net profit when the hedged item affects net profit. The Company expenses transaction costs related to its foreign exchange contracts. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place at the end of the period. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months.

Hedge accounting

Management designates its foreign exchange forward contracts as either hedges of the fair value of recognized assets or liabilities (fair value hedges) or hedges of highly probable forecast transactions and firm commitments (cash flow hedges).

At the inception of the hedge relationship, the Company documents the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Furthermore, both at the hedge's inception and on an on-going basis, the Company also assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in net profit immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement relating to the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in net profit, and is included in other gains and losses, if any. Amounts deferred in other comprehensive income are recycled in net profit in the periods when the hedged item is recognized in net profit, in the same line of the consolidated statement of net profit as the recognized hedged item.

Hedge accounting is discontinued when management revokes the hedging relationship; the hedging instrument is terminated or no longer qualifies for hedge accounting. For fair value hedges, the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to net profit from that date. For cash flow hedges, any cumulative gain or loss deferred in other comprehensive income at that time remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in net profit. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognized immediately in net profit.

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the consolidated statement of changes in equity.

3. Changes in Accounting Policies

IFRS 9 Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments (“IFRS 9”) and as permitted by the transitional provisions in IFRS 9, the Company elected not to restate comparative figures. IFRS 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting. IFRS 9 replaces the ‘incurred loss’ model in IAS 39, Financial Instruments, with an ‘expected credit loss’ (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost and under IFRS 9, credit losses are recognized earlier than under IAS 39.

- Cash, trade and other receivables classified as Loans and receivables are now classified as Amortized cost.
- Financial liabilities classified as Amortized cost under IAS 39 continue to be classified as such under IFRS 9.

The adoption of IFRS 9 did not have a significant impact on the financial position and/or financial performance of the Company.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB released IFRS 15 Revenue from Contracts with Customers. The Standard replaces IAS 11 Construction Contracts and IAS 18 Revenue, providing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of the new standard is recognizing revenue to depict fulfilment of performance obligations to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services.

IFRS 15 was adopted effective October 1, 2018 and the changes have been accounted for retroactively in accordance with the transition rules of IFRS 15 using the retroactive approach. The following practical expedients were used on adoption:

- Completed contracts that begin and end within the same annual reporting period and those completed before October 1, 2018 are not restated.
- Contracts modified prior to October 1, 2018 are not restated. The aggregate effect of these modifications is reflected when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations.
- Recognition of revenue in the amount at which the Company has completed services to date for contracts where the Company has the right to consideration for such services.

Revenue recognition

The accounting presentation for most of the Company’s broad portfolio of service offerings remain largely unchanged, however, some impacts have been identified. Under the former standard, the Company recognized certain contract revenue in profit or loss in proportion to the stage of completion of the contract using the percentage of completion method. Under IFRS 15, revenue is recognized upon the satisfaction of the Company’s performance obligations, which occurs when, or as, control of a good or service transfers to the customer. Control can transfer either at a point in time or over time. A small number of contracts that previously were recognized over time do not meet the criteria set out in the new standard for over time recognition and for those contracts, revenue will be deferred and recognized upon completion of the performance obligation. Costs to manufacture are recognized as inventory until delivery occurs. The impact

3. Changes in Accounting Policies (Continued)

of these changes resulted in a revenue increase for fiscal 2018 of $118, and a cumulative increase to inventory of $928 at September 30, 2018.

Warranty

Under the former revenue standards, for contracts having revenue recognized based on the stage of completion method, warranty costs were accounted for in a consistent manner with other costs incurred. As a result, costs were recognized as incurred and were included in the measure of progress of the contract. IFRS 15 classifies warranty into two groups, assurance type and service type.

Assurance type warranties are those that promise to the customer that the delivered product will function as intended and will comply with agreed-upon specifications. Assurance type warranty costs are recognized as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, based on the progress of the other performance obligations in the contract, and the provision recognized is reduced as costs are incurred or reversed if no longer required.

Service type warranties are those which the customer has the option to purchase the warranty separately or those which contain a service in addition to a standard assurance type warranty. Service type warranties give rise to a separate performance obligation within a contract and as a result, the Company recognizes revenue as the service is provided and incurs warranty costs over the satisfaction of the performance obligation.

The Company offers both types of warranties to customers which carry an impact to the classification and treatment under IFRS 15. The impact of warranty changes resulted in a revenue decrease for fiscal 2018 of $7, and cumulative increase to provisions of $1,365 at September 30, 2018.

When assessing results, the Company disaggregates its revenues into two categories; revenue from services and revenue from products. Revenue from products is typically fixed price contracts for the development and installation of hardware or software systems, and the sale of products. These sales typically include a warranty which must be assessed as a service type or assurance type warranty on a contract by contract basis. Revenue from services are typically in the form of cost-plus arrangements but from time to time involve fixed price arrangements as well. These contracts represent revenue that is recognized as and when services are provided to the customer. These contracts are for professional services delivered over time to customers through either medical and healthcare services, IT support and implementation services, training exercises and simulations, and engineering services where customers are looking for engineers to support their initiatives and not a manufactured product.

The following tables summarize the Company's retroactive restatements to its consolidated financial statements resulting from the adoption of IFRS 15 *Revenue from Contracts with Customers*, including the impact of reclassification.

3. Changes in Accounting Policies (Continued)

The impacts on the consolidated statements of comprehensive income and on the consolidated statement of changed in equity, net of income taxes, are as follows:

	As at September 30, 2018	As at October 1, 2017
Equity as previously reported	$ 99,714	$ 89,487
Cumulative changes to:		
Warranty	509	220
Performance obligations previously reported over time now recognized at a point in time	(49)	(53)
Income tax impact	(124)	(45)
Net change to equity	336	122
Equity as restated	$ 100,050	$ 89,609

The impacts on the consolidated statement of financial position are as follows, as at:

	As previously reported	September 30, 2018 Reclassification	Adjustments	As restated
CURRENT ASSETS				
Cash	$ 21,842	$ -	$ -	$ 21,842
Accounts receivable	69,096	-	-	69,096
Work in process	18,217	(570)	(270)	17,377
Inventory	-	570	928	1,498
Prepaid expenses	3,879	-	-	3,879
Derivative assets	1,021	-	-	1,021
Total current assets	114,055	-	658	114,713
Total non-current assets	37,405	-	-	37,405
TOTAL ASSETS	$ 151,460	$ -	$ 658	$ 152,118
Accounts payable and accrued liabilities	$ 34,284	$ (567)	$ 124	$ 33,841
Contingent earn out	2,440	-	-	2,440
Provisions	-	567	1,365	1,932
Unearned contract revenue	11,209	-	(1,167)	10,042
Derivative liabilities	525	-	-	525
Total current liabilities	48,458	-	322	48,780
Total non-current liabilities	3,288	-	-	3,288
TOTAL LIABILITIES	51,746	-	322	52,068
SHAREHOLDERS’ EQUITY				
Issued capital	28,647	-	-	28,647
Contributed surplus	1,065	-	-	1,065
Retained earnings	70,185	-	336	70,521
Accumulated other comprehensive loss	(183)	-	-	(183)
TOTAL SHAREHOLDERS’ EQUITY	99,714	-	336	100,050
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 151,460	$ -	$ 658	$ 152,118

3. Changes in Accounting Policies (Continued)

The impacts on the consolidated statement of income relating to IFRS 15 can be observed in the 'Adjustments' column in the table below for September 30, 2018, for details of the 'Reclassification' column please see Note 31.

	Year ended September 30, 2018			
	As previously reported	Reclassification	Adjustments	As restated
Revenues	$ 304,958	$ -	$ 110	$ 305,068
Cost of revenues	245,266	(4,089)	(183)	240,994
Gross profit	59,692	4,089	293	64,074
Selling and marketing	5,154	4,034	-	9,188
General and administration	24,774	55	-	24,829
Facilities	4,722	-	-	4,722
Depreciation	1,807	-	-	1,807
Amortization of intangibles	1,193	-	-	1,193
Profit before interest income and income tax expense	22,042	-	293	22,335
Interest income	320	-	-	320
Interest accretion expense	(93)	-	-	(93)
Profit before income tax expense	22,269	-	293	22,562
Income tax expense – current	6,566	-	79	6,645
Income tax expense – deferred	(374)	-	-	(374)
Total income tax expense	6,192	-	79	6,271
NET PROFIT FOR THE PERIOD	**$ 16,077**	**$ -**	**$ 214**	**$ 16,291**
Earnings per share basic	**$ 2.08**	**$ -**	**$ 0.03**	**$ 2.11**
Earnings per share diluted	**$ 2.07**	**$ -**	**$ 0.03**	**$ 2.10**

4. Future Changes in Accounting Policies

IFRS 16 Leases

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 and right-of-use asset values are calculated using a present value at transition, but prior year comparative information will not be restated and continues to be reported under IAS 17.

4. Future Changes in Accounting Policies (Continued)

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 previous accounting standard, all of which represent leases for office space.

Based on management's preliminary assessment of these contracts, the following balance sheet impact is expected:

	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			
Current			
Accounts payable and accrued liabilities	$ 2,000	$ (2,000)	$ -
Lease Liability	-	20,259	20,259
Total current liabilities	2,000	18,259	20,259
Retained earnings	-	-	-
Total liabilities and equity	$ 2,000	$ 18,259	$ 20,259

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Estimates:

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.

Project completion for revenue

A significant portion of the revenue is derived from fixed-price contracts which can extend over more than one reporting period. Revenue from these fixed-price projects is recognized over time using the input method using management's best estimate of the costs and related risks associated with completing the projects. The greatest risk on fixed-price contracts is the possibility of cost overruns. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project management system combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage complete.

Impairment of goodwill and intangible assets

Determining whether goodwill or acquired intangibles assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit, and a suitable discount rate in order to calculate present value.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Income taxes

The Company records deferred income tax assets and liabilities related to deductible or taxable temporary differences. The Company assesses the value of these assets and liabilities based on the likelihood of the realization as well as the timing of reversal given management assessments of future taxable income.

Contingent liabilities

From time-to-time the Company is involved in claims in the normal course of business. Management assesses such claims and where considered probable to result in an exposure and, where the amount of the claim can be measured reliably, provisions for loss are made based on management's assessment of the likely outcome.

Loss allowance

The Company has extensive commercial history upon which to base its provision for doubtful accounts receivable. Due to the nature of the industry in which the Company operates, the Company does not create a general provision for bad debts but rather determines bad debts on a specific account basis.

Judgments:

Financial instruments

The Company's accounting policy with regards to financial instruments is described in Note 2. In applying this policy, judgments are made in applying the criteria set out in *IFRS9, Financial Instruments*, to record financial instruments at fair value through profit or loss, and the assessments of the classification of financial instruments and effectiveness of hedging relationships.

Accounting policy for equipment and intangible assets

Management makes judgments in determining the most appropriate methodology for amortizing long-lived assets over their useful lives. The method chosen is intended to mirror, to the best extent possible, the consumption of the asset.

Deferred income taxes

The Company's accounting policy with regards to income taxes is described in Note 2. In applying this policy, judgments are made in determining the probability of whether deductions or tax credits can be utilized and related timing of such items.

Input methodology for project completion

The Company uses judgment in determining the most appropriate basis on which to determine the completion of projects. Options available to the Company include the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, surveys of work performed, and completion of a physical proportion of the contract work. While the Company considers the costs to complete, the stage of completion is assessed based upon the assessment of the proportion of the contract completed. Judgments are also made in determining what costs are project costs for determining the percentage complete.

6. 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 this fiscal year, generates a significant portion of its revenues during the third and fourth quarter of the Company's fiscal year.

7. Accounts Receivable

The following table presents the trade and other receivables:

	September 30, 2019	September 30, 2018
Trade and accounts receivable	$ 62,507	$ 68,405
Tax and Scientific Research and Development receivable	1,500	788
Other	46	3
	64,053	69,196
Loss Allowance	(76)	(100)
	$ 63,977	$ 69,096

Bad debt recovery recognized in the year ended September 30, 2019 (2018) is $79 ($85).

8. Inventory

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average 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:

	September 30, 2019	September 30, 2018 *Restated (Note 3)*
Raw materials	$ 1,391	$ 440
Work in process	275	756
Finished goods	1,481	302
	$ 3,147	$ 1,498

Inventory recognized as cost of sale in the year ended September 30, 2019 (2018) is $5,529 ($852). No inventory provisions have been recognized in this fiscal year, or the prior fiscal year.

9. Prepaid Expenses

The following table presents prepaid expenses as at:

	September 30, 2019	September 30, 2018
Prepaid maintenance	$ 2,406	$ 2,529
Other prepaid expenses	2,997	1,350
	$ 5,403	$ 3,879

10. Contract Assets and Liabilities

For the years ended September 30, 2019 (2018), contract assets opening balances were $17,377 ($19,611). In the 2019 fiscal year, Calian acquired $871 in contract assets through the acquisition of Sat Service. For the years ended September 30, 2019 (2018), contract assets closing balances were $39,221 ($17,377).

The following table presents changes in contract liabilities:

		Contract Liabilities		
		September 30, 2019		September 30, 2018 *Restated (Note 3)*
Opening balance, October 1	$	10,042	$	7,840
Deferral of revenue		5,030		4,372
Recognition of deferred revenue		(6,836)		(3,793)
Acquisitions		542		1,623
Ending balance, September 30	$	8,778	$	10,042

11. Equipment

A continuity of property, plant and equipment for the years ended September 30, 2019 and September 30, 2018 are as follows:

Cost		Leasehold Improvements	Equipment	Total Equipment	Application Software
Balance September 30, 2017	$	1,753 $	16,123 $	17,876 $	3,493
Additions		2,021	3,272	5,293	277
Transfers/disposals		-	(1,770)	(1,770)	-
Acquisitions		23	1,175	1,198	2
Balance September 30, 2018	$	3,797 $	18,800 $	22,597 $	3,772
Additions		249	2,284	2,533	538
Transfers/disposals		(1,609)	(726)	(2,335)	(2)
Acquisitions		-	1,021	1,021	3
Balance September 30, 2019	$	2,437 $	21,379 $	23,816 $	4,311
Accumulated Depreciation					
Balance September 30, 2017	$	(1,480)$	(10,192)$	(11,672)$	(2,727)
Depreciation		(238)	(1,314)	(1,552)	(255)
Transfers/disposals		(10)	1,562	1,552	-
Acquisitions		(23)	(1,107)	(1,130)	(2)
Balance September 30, 2018	$	(1,751)$	(11,051)$	(12,802)$	(2,984)
Depreciation		(246)	(1,663)	(1,909)	(311)
Transfers/disposals		1,609	682	2,291	-
Acquisitions		-	(431)	(431)	(3)
Balance September 30, 2019	$	(388)$	(12,463)$	(12,851)$	(3,298)
Carrying Value					
September 30, 2018	$	2,046 $	7,749 $	9,795 $	788
September 30, 2019	$	2,049 $	8,916 $	10,965 $	1,013

11. Equipment (Continued)

Capitalized Research and Development

Capitalized R&D balances as at September 30, 2019 (2018) totalled $3,216 ($1,449). Respective additions in the 2019 (2018) fiscal years were $1,767 ($1,149). 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.

12. Investment and Loan Receivable

During fiscal years ended 2017, and 2018, the Company invested $250 and $150, respectively, in Cliniconex Inc., an Ottawa-based patient outreach solutions vendor. The investment in 2017 is $100 in common shares, and $150 in the form of a convertible loan bearing interest at a rate of 12% maturing on June 6, 2021. The 2018 investment is in the form of a $150 convertible loan bearing interest at a rate of 12% and maturing June 9, 2020. The loan is measured at amortized cost. As part of the investment, a member of the Company's management team has been appointed to the Cliniconex Inc. Board of Directors. The investment is measured at cost.

13. Acquired Intangible Assets

A continuity of the intangible assets for the fiscal year ended September 30 are as follows:

	September 30, 2019			
	Opening Balance	Additions	Amortization	Closing Balance
Customer relationship related to Primacy	$ 1,909	$ -	$ -	$ 1,909
Other customer relationships	3,083	6,353	(1,381)	8,055
Contract with customers	1,157	-	(387)	770
Non-competition agreements	212	296	(195)	313
Technology and trademarks	341	6,516	(1,205)	5,652
	$ 6,702	$ 13,165	$ (3,168)	$ 16,699

	September 30, 2018			
	Opening Balance	Additions	Amortization	Closing Balance
Customer relationship related to Primacy	$ 1,909	$ -	$ -	$ 1,909
Other customer relationships	1,989	1,539	(445)	3,083
Contract with customers	983	770	(596)	1,157
Non-competition agreements	271	-	(59)	212
Technology and trademarks	434	-	(93)	341
	$ 5,586	$ 2,309	$ (1,193)	$ 6,702

14. Goodwill

The following table presents the goodwill for the Company:

	September 30, 2019	September 30, 2018
Opening balance	$ 18,236	$ 15,383
Acquisitions	15,466	2,853
Ending balance	$ 33,702	$ 18,236

15. Accounts Payable and Accrued Liabilities

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

	September 30, 2019	September 30, 2018 *Restated (Note 3)*
Trade accounts payable	$ 24,748	$ 17,907
Payroll accruals	11,387	10,220
Income tax payable	256	450
Other accruals	8,667	5,338
	$ 45,058	$ 33,915

16. Contingent Earn-Out

The following shows the contingent consideration activity for the year ending September 30, 2019 for all acquisitions for which contingent consideration was agreed:

Company Acquired	Beginning balance	Addition through acquisition	Payments	Change in Estimate *(Note 28)*	Interest accretion	Ending balance
ISR	$ 1,566	$ -	$ (1,640)	$ -	$ 74	$ -
Secure Tech	1,600	-	-	(800)	-	800
IntraGrain Technologies	-	4,688	-	(2,447)	644	2,885
SatService	-	4,254	-	(1,925)	305	2,634
Total	$ 3,166	$ 8,942	$ (1,640)	$ (5,172)	$ 1,023	$ 6,319

17. Provisions

Changes in provisions for the year ended September 30, 2019 were as follows:

	Product Warranties [(1)]	Severance	Other	Total *Restated (Note 3)*
Balance at October 1, 2018	$ 1,365	$ 414	$ 153	$ 1,932
Additions	425	471	-	896
Utilization/Reversals	(989)	(584)	(126)	(1,699)
Balance at September 30, 2019	$ 801	$ 301	$ 27	$ 1,129

(1) For description of product warranties, please refer to Note 2 with regards to changes in accounting policies due to IFRS 15.

18. 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 September 30, 2019 (2018), the Company utilized $13,000 (NIL) 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.

19. 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 September 30, 2019.

Common share issued and outstanding:

	September 30, 2019		September 30, 2018	
	Shares	**Amount**	**Shares**	**Amount**
Balance, beginning of year	7,764,762	$ 28,647	7,655,713	$ 26,240
Shares issued under employee share plans	139,814	3,034	87,541	1,856
Shares issued under employee stock purchase plan	28,941	850	21,508	551
Share repurchases	(4,279)	(16)	-	-
Issued capital	7,929,238	$ 32,515	7,764,762	$ 28,647

Subsequent to the date of the statement of financial position, on November 25, 2019, the date of issuance of these consolidated financial statements, the Company declared a dividend of $0.28 per common share payable on December 23, 2019.

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.

20. 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 September 30, 2019, based on the Company's total common shares outstanding, a total of 713,631 stock options and RSU's may be issued and outstanding. Based on this, the Company could grant up to 426,495 additional stock options beyond what was issued and outstanding as at September 30, 2019.The weighted average fair value of options granted during the year ended September 30, 2019 was $3.96 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 2019:

		November 2018		February 2019
Grant date share price	$	29.55	$	29.06
Exercise price	$	29.55	$	29.06
Expected price volatility	%	22.7	%	23.7
Expected option life	yrs	4.00	yrs	4.00
Expected dividend yield	%	3.79	%	3.71
Risk-free interest rate	%	2.28	%	1.78
Forfeiture rate	%	0	%	0

	2019			2018		
	Number of Options	Weighted Avg. Exercise Price		Number of Options	Weighted Avg. Exercise Price	
Outstanding, beginning of year	247,400	$	25.43	240,600	$	20.10
Exercised	(131,600)		19.79	(83,800)		19.80
Forfeited	(5,000)		32.57	(6,000)		34.58
Granted	128,600		29.52	96,600		34.39
Outstanding, end of year	239,400	$	30.57	247,400	$	25.43

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	11,200	September 9, 2015	September 9, 2020	$	17.69	$	0.90
(2) Issued May 17, 2017	18,000	May 17, 2017	May 17, 2022	$	27.30	$	3.42
(3) Issued November 24, 2017	81,600	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	$	4.37
(5) Issued November 19, 2018	113,600	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

20. Share-Based Compensation (Continued)

For the option issuance dated November 19, 2018, 35,600 options vested immediately with the remaining vesting through to November 19, 2020. For the option issuance dated February 8, 2019, 3,000 options vested immediately with the remaining vesting through to February 8, 2021.

At September 30, 2019 (2018) the weighted average remaining contractual life of options outstanding is 3.53 (2.75) years of which 143,400 (187,400) options are exercisable at a weighted average price of $30.30 ($22.56). The Company has recorded $491 of share-based compensation expense in 2019 (2018 - $360) related to the options that have been granted. The Company has total unrecognized compensation expense of $86 (2018 - $87) that will be recorded in the next 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 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 September 30, 2019 and 2018:

	2019		2018	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Outstanding, beginning of year	20,970	$ 31.40	11,345	$ 27.43
Transferred to common shares	(8,214)	30.83	(3,741)	27.42
Cancelled/forfeited	(1,713)	30.24	(1,141)	31.03
Granted	36,693	29.54	14,507	33.45
Outstanding, end of year	47,736	$ 30.11	20,970	$ 31.40

In 2019, the Company issued 36,693 RSU's, with a weighted average grant date fair value of $29.54 per RSU. Of the units issued in the fiscal year under the RSU plan, NIL have vested as of September 30, 2019. The Company has recorded $691 of share-based compensation expense in 2019 (2018 - $360) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of $579 (2018 - $265) that will be recorded over the next three years.

20. Share-Based Compensation (Continued)

The following RSU-based payment arrangements are in existence:

RSU series:	Number of RSUs	Grant date	Vest through	Fair value at grant date
(1) Issued February 17, 2017	2,890	February 17, 2017	November 15, 2019	$ 27.22
(2) Issued May 12, 2017	539	May 12, 2017	November 15, 2019	$ 28.43
(3) Issued November 24, 2017	6,018	November 24, 2017	November 15, 2022	$ 34.58
(4) Issued February 12, 2018	2,426	February 12, 2018	November 15, 2020	$ 31.01
(5) Issued March 27, 2018	370	March 27, 2018	November 15, 2020	$ 31.54
(6) Issued November 16, 2018	34,818	November 6, 2018	November 15, 2021	$ 29.55
(7) Issued February 7, 2019	675	February 7, 2019	November 15, 2021	$ 29.06

Employee stock purchase plan

The Company has an Employee Stock Purchase Plan ("ESPP") under which most full-time employees may register once a year to participate in one of two offering periods. Eligible employees may purchase common shares by payroll deduction throughout the year at a price of 80% of the fair market value at the beginning of the initial offering period or may purchase common shares at a price of 90% of the fair market value at the beginning of the interim offering period. Such shares are issued from treasury once a year at the end of the offering periods. A total of 750,000 common shares have been authorized for issuance under the plan. During 2019 (2018), the Company issued 28,941 (21,508) shares under the ESPP at an average price of $24.65 ($21.50) for which the company received $714 ($462) in cash. Employees subscribed to approximately 30,270 common shares, which will be issued during fiscal 2019 at an average price of $24.74. Since inception and including the issuance of shares in 2019, 512,387 shares have been issued under the plan. During 2019 (2018) the Company recorded an ESPP expense of $136 ($89).

Deferred share unit plan

During the year ended September 30, 2019 (2018) the Company granted 4,046 (3,530) deferred share units ("DSU"). There are 20,914 (16,868) DSUs outstanding at September 30, 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 2019 (2018) was $29.94 ($25.02) per unit using the fair value of a Common Share at the time of grant. The Company recorded share-based compensation of $207 (2018 – $112) related to the DSUs in the year ended September 30, 2019.

21. Revenue

The following table presents the revenue of the Company for the year ended September 30, 2019 and 2018:

	Year ended	
	September 30, 2019	**September 30, 2018** *Restated (Note 3)*
Product revenue		
Advanced Technologies	$ 66,204	$ 51,578
Health	-	-
Learning	-	-
Information Technology	3,549	1,862
Service revenue		
Advanced Technologies	43,493	47,623
Health	115,718	99,458
Learning	63,098	61,552
Information Technology	50,982	42,995
	$ 343,044	$ 305,068

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 September 30, 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:

	September 30, 2019
Less than 24 months	378,820
Thereafter	175,303
Total	554,123

22. Net Profit per Share

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

	Year ended September 30	
	2019	**2018**
Weighted average number of common shares – basic	7,843,265	7,722,937
Additions to reflect the dilutive effect of employee stock options and RSU's	20,096	44,140
Weighted average number of common shares – diluted	7,863,361	7,767,077

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 year ended September 30, 2019 (2018), 204,200 (96,600) 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.

23. Income Taxes

The following table reconciles the difference between the income taxes that would result solely by applying statutory tax rates to pre-tax income and the reported income tax expenses:

	2019	**2018** *Restated (Note 3)*
Profit before income taxes	$ 25,871	$ 22,562
Tax provision at the combined basic Canadian federal and provincial income tax rate of 26.9% (2018: 26.9%)	6,959	6,076
Increase (decrease) resulting from:		
Effect of expenses that are not deductible in determining taxable profits	707	331
Impact of rate reductions on valuation of deferred income tax assets	(327)	(131)
Other income not taxable in determining net profit	(1,381)	-
Other	(79)	(5)
Income tax expense	$ 5,879	$ 6,271

Investments in subsidiaries

As at September 30, 2019 (2018), the Company had temporary differences of $5,172 associated with investments in subsidiaries for which no deferred tax liabilities have been recognized as it is not probable that these differences will reverse in the foreseeable future.

23. Income Taxes (Continued)

Reconciliation of deferred tax assets and liabilities are shown below:

Deferred tax assets (liabilities)	Equipment and application software	Acquired intangible assets	Cash flow hedging reserve	Other	Total
Deferred tax liability at September 30, 2017	$ (835)	$ (1,431)	$ (62)	$ 26	$ (2,302)
Current year acquisition	-	(612)	-	-	(612)
Recovery (expensed) to statement of net profit	107	267	-	-	374
Recovery (expensed) to other comprehensive income	-	-	52	-	52
Deferred tax liability at September 30, 2018	$ (728)	$ (1,776)	$ (10)	$ 26	$ (2,488)
Current year acquisition	-	(3,693)	-	-	(3,693)
Recovery (expensed) to statement of net profit	(574)	861	-	152	439
Recovery (expensed) to other comprehensive income	-	-	217	-	217
Deferred tax liability at September 30, 2019	$ (1,302)	$ (4,608)	$ 207	$ 178	$ (5,525)

24. Commitments

The Company has non-cancellable lease agreements for office space and equipment with terms extending to the year 2029. The aggregate minimum rental payments under these arrangements are as follows:

2020	$ 3,708
2021	3,822
2022	3,636
2023	3,289
2024	3,274
thereafter	6,911
Total	$ 24,640

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 has accrued cost related to these claims where it estimates a payment will be required. 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. 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"). During the year ended September 30, 2019, the Company re-evaluated the organization of its business and reporting segments. As a result, the CEO now evaluates performance and allocates resources based on four key business units; Advanced Technologies, Health, Learning, and Information Technology ("IT"). Therefore, the Company will report its financial performance based on the new segments. Corporate costs are incurred for the shared services of the company. These include, but are not limited to, the Finance, Human Resources, IT support, Corporate development, Legal, Corporate

26. Segmented Information (Continued)

marketing, and administrative functions. Additional costs incurred by the corporate segment are facilities costs, costs of operating a public company, and various other costs. Prior year amounts have been presented on the same basis.

The Company evaluates performance and allocates resources based on profit before interest and income taxes. The accounting policies of the segments are the same as those described in Note 2. Revenues reported below represents revenue generated from external customers. There were no significant inter-segment sales in the year.

For the year ended September 30, 2019:

	Advanced Technologies	Health	Learning	IT	Corporate	Total
Revenue	$ 109,697	$ 115,718	$ 63,098	$ 54,531	$ -	$ 343,044
Cost of revenues	79,069	92,507	50,563	46,248	-	268,387
Gross profit	30,628	23,211	12,535	8,283	-	74,657
Gross profit %	28 %	20 %	20 %	15 %	N/A %	22 %
Selling and marketing	4,934	767	910	2,219	1,669	10,499
General and administration	5,419	3,615	2,642	2,133	17,897	31,706
Facilities	3,752	333	196	364	660	5,306
Profit before under noted items	$ 16,523	$ 18,496	$ 8,787	$ 3,567	$ (20,226)	$ 27,146
Profit before under noted items %	15 %	16 %	14 %	7 %	N/A %	8 %
Depreciation of equipment and application software						2,220
Amortization of acquired intangibles						3,168
Gain on change in estimate						(5,172)
Profit before interest and income tax expense						26,930
Accretion interest expense related to acquisitions						1,023
Interest expense (income)						36
Profit before income tax expense						25,871
Income tax expense – current						6,318
Income tax expense – deferred						(439)
Total income tax expense						5,879
NET PROFIT FOR THE PERIOD						$ 19,992

26. Segmented Information (Continued)

For the year ended September 30, 2018:

	Advanced Technologies	Health	Learning	IT	Corporate	Total *Restated (Note 3)*
Revenue	$ 99,201	$ 99,458	$ 61,552	$ 44,857	$ -	$ 305,068
Cost of revenues	70,404	82,298	49,659	38,633	-	240,994
Gross profit	28,797	17,160	11,893	6,224	-	64,074
Gross profit %	29 %	17 %	19 %	14 %	N/A %	21 %
Selling and marketing	3,905	836	850	1,958	1,639	9,188
General and administration	3,676	2,795	2,203	1,453	14,702	24,829
Facilities	3,471	263	197	242	549	4,722
Profit before under noted items	$ 17,745	$ 13,266	$ 8,643	$ 2,571	$ (16,890)	$ 25,335
Profit before under noted items %	18 %	13 %	14 %	6 %	N/A %	8 %
Depreciation of equipment and application software						1,807
Amortization of acquired intangibles						1,193
Profit before interest and income tax expense						22,335
Accretion interest expense related to acquisitions						93
Interest expense (income)						(320)
Profit before income tax expense						22,562
Income tax expense – current						6,645
Income tax expense – deferred						(374)
Total income tax expense						6,271
NET PROFIT FOR THE PERIOD						$ 16,291

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

	2019	2018
Canada	81 %	80 %
United States	15 %	15 %
Europe	4 %	5 %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various departments and agencies of the Canadian federal government for the year ended September 30, 2019 and 2018 represented 69% (68%) of the Company's total revenues. All four operating segments conduct business with this major customer.

27. 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

27. Financial Instruments and Risk Management (Continued)

Canadian dollars at contractual rates. At September 30, 2019, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value September 30, 2019
BUY	$ 53,184	USD	October 2019	$ 70,410	$ 64
SELL	4,776	EURO	October 2019	6,908	32
SELL	18	CHF	October 2019	24	-
Derivative assets					$ 96
SELL	$ 109,418	USD	October 2019	$ 144,858	$ (131)
BUY	618	EURO	October 2019	894	(4)
BUY	875	CHF	October 2019	1,164	(8)
Derivative liabilities					$ (143)

A 10% strengthening of the Canadian dollar against the following currencies at September 30, 2019 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	Sept 30, 2019
USD	$ 6,768
EURO	547
CHF	(104)
	$ 7,211

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):

	September 30, 2019	September 30, 2018
USD	$ 181	$ 17
EURO	203	-
	$ 384	$ 17

27. Financial Instruments and Risk Management (Continued)

At September 30, 2018, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value September 30, 2018
SELL	116,409	USD	October 2018	$ 150,691	$ 838
SELL	7,994	EURO	October 2018	12,007	183
SELL	18	CHF	October 2018	24	0
Derivative assets					$ 1,021
BUY	64,946	USD	October 2018	$ 84,073	$ 468
BUY	1,176	EURO	October 2018	1,766	27
BUY	1,457	CHF	October 2018	1,930	30
Derivative liabilities					$ 525

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 September 30, 2019 (2018), 71% (66%) 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:

	September 30, 2019	September 30, 2018
Cash	$ 17,135	$ 21,842
Accounts receivable	63,977	69,096
Derivative assets	96	1,021
	$ 81,208	$ 91,959

27. Financial Instruments and Risk Management (Continued)

The aging of accounts receivable at the reporting date was:

	September 30, 2019	September 30, 2018
Current	$ 60,574	$ 61,528
Past due (61-120 days)	1,249	4,556
Past due (> 120 days)	2,154	3,012
	$ 63,977	$ 69,096

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 September 30, 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 September 30, 2019, an amount of $13,000 was drawn on the facility for current operations, and $50 was drawn to issue a letter of credit to meet customer contractual requirements. The Company has a positive current ratio that can be used to repay any current obligations.

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 September 30, 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).

	2019 Level 1	2019 Level 2
Cash	$ 17,135	$ -
Derivative financial assets	-	96
Derivative financial liabilities	-	(143)
Total	$ 17,135	$ (47)

27. Financial Instruments and Risk Management (Continued)

	2018 Level 1	2018 Level 2
Cash	$ 21,842	$ -
Derivative financial assets	-	1,021
Derivative financial liabilities	-	(525)
Total	$ 21,842	$ 496

There were no transfers between Level 1 and Level 2 during the years ended September 30, 2019 and 2018.

28. Acquisitions

International Safety Research Inc. (“ISR”)

On May 9, 2017, the Company acquired all of the outstanding shares of ISR for a purchase price of up to $8,979. Of this amount, $5,699 was paid on the date of closing and $3,280 is payable contingently. In the year ended September 30, 2019, the remaining $1,640 of contingent payments were made and at September 30, 2019, no additional amount remains payable. ISR specializes in nuclear safety and emergency preparedness and response nationally and internationally. ISR was acquired to expand the Company's emergency preparedness service offering and is reported as part of the Advanced Technologies operating segment.

On February 22, 2018, Calian acquired the remaining 51% of International Safety Research Europe B.V. (“ISRE”) for $166, 49% ownership was initially acquired through the acquisition of ISR. The initial investment in ISRE was accounted for as an equity investment. With 100% ownership of ISRE, it is now fully consolidated.

(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. At September 30, 2019, $800 is included in contingent earn-out liability for anticipated achievement of the second year target.

PriorityOne Workplace Health Inc. and William J Barker Clinical Psychologist Ltd.

On July 31, 2018, the Company acquired all of the outstanding shares of Priority One for a purchase price of $1,128. Priority One provides specialized psychological assessment and selection services. Priority One was acquired to expand the Company’s health care footprint and is reported as part of the Health operating segment.

28. Acquisitions (Continued)

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, $10,000 was paid on the date of closing, $1,000 was placed in escrow, 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. As at September 30, 2019, the Company has determined that IntraGrain will 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. At September 30, 2019, $2,885 is included in contingent earn-out liability for anticipated achievement of the second-year target.

The following are the assets acquired and liabilities recognized at the date of the acquisitions of IntraGrain:

		IntraGrain
Cash	$	111
Accounts receivable and tax receivable		521
Prepaid expenses and other		54
WIP		-
Inventory		1,940
	$	2,626
Equipment	$	541
Goodwill		7,745
Intangible assets		7,288
	$	18,200
Accounts payable and accrued liabilities	$	581
Deferred tax liability		1,931
Provisions		-
Deferred Income		-
Taxes Payable		-
	$	2,512
Net purchase price	$	15,688
Discount on contingent consideration		1,312
Total purchase price	$	17,000

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. As at September 30, 2019, the Company has determined that SatServe

28. Acquisitions (Continued)

is unlikely to achieve the level of EBITDA required for payment of the first year earn-out. This resulted in a decrease of the first year earn out liability in the amount of $1,925. At September 30, 2019, $2,634 is included in contingent earn-out liability for anticipated achievement of the second-year target.

The following are the assets acquired and liabilities recognized at the date of the acquisitions of SatService:

		SatService
Cash	$	2,421
Accounts receivable and tax receivable		650
Prepaid expenses and other		76
WIP		871
Inventory		925
	$	4,943
Equipment	$	55
Goodwill		7,721
Intangible assets		5,877
	$	18,596
Accounts payable and accrued liabilities	$	38
Deferred tax liability		1,763
Provisions		1,004
Deferred Income		542
Taxes Payable		255
	$	3,602
Net purchase price	$	14,994
Discount on contingent consideration		1,042
Total purchase price	$	16,036

29. Pension Plan

The Company sponsors a defined contribution pension plan for certain of its employees. Required contributions have been fully funded to September 30, 2019. For fiscal 2019 (2018), an amount of $1,172 ($1,127) was expensed related to this pension plan.

30. Related Party Transactions

During the year ended September 30, 2019 (2018), the Company had sales of $1,552 (NIL) to GrainX in which Calian holds a non-controlling equity investment. At September 30, 2019 (2018), the Company had an accounts receivable balance with GrainX of $90 (NIL) which is included in accounts receivable.

The Company has certain office space leases with employees of the Company. The total amount of expense due to leases with related parties is $192 ($108) for the year ended September 30, 2019 (2018).

30. Related Party Transactions (Continued)

The compensation for directors and other members of key management during the year was as follows. The compensation of directors and key executives is determined by the compensation committee having regards to the performance of individuals and market trends. The key executives are the Chief Executive Officer, the Chief Financial Officer, Chief Information Officer, Chief Human Resource Officer and Vice-President, Systems Engineering Division.

Compensation of key management personnel:

	2019	2018
Short-term benefits	$ 2,699	$ 2,239
Share-based payments	536	443
	$ 3,235	$ 2,682

31. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation whereby certain cost of sales, general and administrative expenses, and sales and marketing expenses in certain segments of the Company have been reclassified to properly align the company both internally, and with IFRS standards. Comparative adjustments can be observed in Note 3.

32. Subsequent Event

On November 13, 2019, the Company converted the convertible debt held in Cliniconex to preferred shares. In addition, on November 13, 2019, the Company invested $100 in preferred shares.