Calian Group Ltd. Consolidated Statements of Financial Position

As at September 30, 2020 and 2019

(Canadian dollars in thousands, except per share data)

	NOTES	September 30, 2020	September 30, 2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	$ 24,235	$ 17,135
Accounts receivable	7	81,109	63,977
Work in process	10	84,132	39,221
Inventory	8	6,095	3,147
Prepaid expenses	9	6,707	5,403
Derivative assets	25	358	96
Total current assets		202,636	128,979
NON-CURRENT ASSETS			
Capitalized research and development	11	3,924	3,216
Equipment	11	11,655	10,965
Application software	11	3,092	1,013
Right of use asset	12	17,595	-
Investment and loan receivable	13	670	452
Acquired intangible assets	14	36,191	16,699
Goodwill	15	55,290	33,702
Total non-current assets		128,417	66,047
TOTAL ASSETS		$ 331,053	$ 195,026
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Line of Credit	18	$ -	$ 13,000
Accounts payables and accrued liabilities	16	72,007	45,058
Contingent earn-out	27	3,251	800
Provisions	17	1,038	1,129
Unearned contract revenue	10	13,435	8,778
Derivative liabilities	25	152	143
Lease obligations	12	2,790	-
Total current liabilities		92,673	68,908
NON-CURRENT LIABILITIES			
Lease obligations	12	16,800	-
Contingent earn-out	27	11,913	5,519
Deferred tax liabilities	23	9,261	5,525
Total non-current liabilities		37,974	11,044
TOTAL LIABILITIES		130,647	79,952
SHAREHOLDERS' EQUITY			
Issued capital	19	107,931	32,515
Contributed surplus		2,002	1,817
Retained earnings		92,030	81,608
Accumulated other comprehensive income (loss)		(1,557)	(866)
TOTAL SHAREHOLDERS' EQUITY		200,406	115,074
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 331,053	$ 195,026
Number of common shares issued and outstanding	19	9,760,032	7,929,238

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

Approved by the Board on November 24, 2020:

George Weber
Chairman

Richard Vickers
Director

Calian Group Ltd. Consolidated Statements of Net Profit

For the years ended September 30, 2020 and 2019
(Canadian dollars in thousands, except per share data)

	NOTES	Year ended September 30, 2020	2019
Revenue			
Advanced Technologies		$ 153,382	$ 109,697
Health		163,035	115,718
Learning		57,834	63,098
Information Technology		58,069	54,531
Total Revenue	21	432,320	343,044
Cost of revenues		343,164	268,387
Gross profit		89,156	74,657
Selling and marketing		12,336	10,499
General and administration	31	38,012	35,592
Research and development	31	1,998	1,420
Profit before under noted items		36,810	27,146
Depreciation of equipment, application software and research and development	11	2,976	2,220
Depreciation of right of use asset	12	2,771	-
Amortization of acquired intangible assets	14	5,166	3,168
Other changes in fair value	13	(101)	-
Changes in fair value related to contingent earn-out	27	(1,882)	(4,149)
Profit before interest and income tax expense		27,880	25,907
Lease obligations interest expense	12	475	-
Interest expense (income)		185	36
Profit before income tax expense		27,220	25,871
Income tax expense – current		8,171	6,318
Income tax expense (recovery) – deferred		(1,311)	(439)
Total income tax expense	23	6,860	5,879
NET PROFIT		**$ 20,360**	**$ 19,992**
Net profit per share:			
Basic	22	$ 2.25	$ 2.55
Diluted	22	$ 2.23	$ 2.54

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

Calian Group Ltd. Consolidated Statements of Comprehensive Income

For the years ended September 30, 2020 and 2019
(Canadian dollars in thousands)

	Year ended September 30,	
	2020	**2019**
NET PROFIT	$ 20,360	$ 19,992
Other comprehensive income, net of tax		
Items that will be reclassified subsequently to net profit		
Cumulative translation adjustment	238	-
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of $335 (2019 - $217)	(929)	(683)
Other comprehensive income (loss), net of tax	(691)	(683)
COMPREHENSIVE INCOME	**$ 19,669**	**$ 19,309**

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, 2020 and 2019
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2019		**$ 32,515**	**$ 1,817**	**$ 81,608**	**$ (866)**	**$ 115,074**
Net profit and comprehensive income		-	-	20,360	(691)	19,669
Dividend paid ($1.12 per share)		-	-	(9,938)	-	(9,938)
Shares issued under employee share plans	19	5,323	(978)	-	-	4,345
Shares issued through acquisition	19	2,500	-	-	-	2,500
Shares issued under public offering net of issuance costs	19	65,847	-	-	-	65,847
Shares issued under employee stock purchase plan	19	1,746	-	-	-	1,746
Share-based compensation expense	20	-	1,163	-	-	1,163
Balance September 30, 2020		**$ 107,931**	**$ 2,002**	**$ 92,030**	**$ (1,557)**	**$ 200,406**

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

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

Calian Group Ltd. Consolidated Statements of Cash Flows

For the years ended September 30, 2020 and 2019
(Canadian dollars in thousands)

	NOTES	Year ended September 30, 2020	2019
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES			
Net profit		$ 20,360	$ 19,992
Items not affecting cash:			
Interest expense (income)		185	36
Changes in fair value related to contingent earn-out	27	(1,882)	(4,149)
Lease obligations interest expense	12	475	-
Income tax expense		6,860	5,879
Employee share purchase plan expense	20	199	173
Share based compensation expense	20	1,163	1,182
Depreciation and amortization	11, 12, 14	10,913	5,388
Other changes in fair value	13	(101)	-
		38,172	28,501
Change in non-cash working capital			
Accounts receivable		(11,676)	6,334
Work in process		(44,911)	(20,973)
Prepaid expenses		(1,271)	(1,395)
Inventory		(328)	1,216
Accounts payable and accrued liabilities		17,251	8,167
Unearned contract revenue		4,501	(1,806)
		1,738	20,044
Interest received (paid)		(678)	(127)
Income tax recovered (paid)		(3,813)	(6,384)
		(2,753)	13,533
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
Issuance of common shares	19, 20	70,488	3,316
Dividends paid		(9,938)	(8,803)
Draw (repayment) on line of credit	18	(13,000)	13,000
Share repurchases		-	(118)
Payment of lease obligations	12	(2,508)	-
		45,042	7,395
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments and loan receivable	13	(100)	-
Business acquisitions	26	(29,288)	(20,849)
Capitalized research and development	11	(1,227)	(1,768)
Equipment and application software	11	(4,574)	(3,018)
		(35,189)	(25,635)
NET CASH (OUTFLOW) INFLOW		$ 7,100	$ (4,707)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		17,135	21,842
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 24,235	$ 17,135

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

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, AgTech 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, 2020. These consolidated financial statements were prepared using the accounting policies as described in Note 2 – Summary of significant accounting policies.

These consolidated financial statements were authorized for issuance by the Board of Directors on November 24, 2020.

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. ("Primacy"), located in Burlington, Ontario, DWP Solutions Inc. ("DWP"), located in Ottawa, Ontario, IntraGrain Technologies Inc. ("IntraGrain") located in Regina, Saskatchewan, SatService Gesellschaft für Kommunikationssysteme mbH ("SatService") located in Steisslingen, Germany, Allphase Clinical Research Services Inc., located in Ottawa, Ontario, Alio Health Services Inc., located in Ottawa, Ontario (collectively "Allphase/Alio"), Comprehensive Training Solutions AS ("CTS") located in Stavanger, Norway, EMSEC Solutions Inc. ("EMSEC") located in Ottawa, Ontario, and Tallysman Wireless Inc. ("Tallysman") located in Ottawa, Ontario. 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.

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

2. Summary of Significant Accounting Policies (continued)

Product revenue

- Sale of internally developed hardware and software products
- Resale of radio frequency communications product
- Sale of healthcare products
- Resale of IT product which can include hardware and/or 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 Company's 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.

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 are 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

2. Summary of Significant Accounting Policies (continued)

renewal period does not represent a material right when they enter into the initial contract and therefore this does not represent a separate performance obligation, and 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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

Leases

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

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

2. Summary of Significant Accounting Policies (continued)

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 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:

2. Summary of Significant Accounting Policies (continued)

- 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 over the useful life of the assets which is determined to be 5 years. 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:

- 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.

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 8 years
- Contracts with customers: 3 to 5 years
- Non-competition agreements: 2 to 5 years
- Technology and Trademarks: 2 to 9 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.

2. Summary of Significant Accounting Policies (continued)

Impairment of capitalized R&D, equipment, application software and intangible assets

At each reporting period, management reviews the carrying amounts of its capitalized R&D, 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 26 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 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 24.

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, 2020 and 2019, management assessed the recoverable amount of goodwill and concluded that a goodwill impairment charge was not required.

For the years ended September 30, 2020 and 2019, various assumptions were taken to arrive at estimated values per segment, including discount rates in the range of 12% to 15% and growth rate assumptions of 0% to 5%. 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.

2. Summary of Significant Accounting Policies (continued)

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 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 the Euro, and CTS which is the Norwegian Krone.

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.

2. Summary of Significant Accounting Policies (continued)

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	Fair value through profit and loss
Derivative assets	Fair value through other comprehensive income ("OCI")

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 difficulties 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 classified as follows:

Line of credit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Contingent earn-out	Fair value through profit and loss
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.

2. Summary of Significant Accounting Policies (continued)

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 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 25 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.

(Canadian dollars in thousands, except per share amounts)

3. Changes in Accounting Policies

IFRS 16

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

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

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

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

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

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

(Canadian dollars in thousands, except per share amounts)

3. Changes in Accounting Policies (continued)

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

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

4. 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. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project managers 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 of the cash-generating units. This was done through the value in use calculation. 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.

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.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

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.

Business combinations

The consideration transferred for an acquired business is assigned to the identifiable tangible and intangible assets purchased, along with liabilities assumed on the basis of their acquisition date fair values. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgemental. Where appropriate, the Company engages external business valuators to assist in the valuation of tangible and intangible assets acquired. When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining fair value of contingent consideration may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

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.

5. 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 for instance generates a significant portion of its revenues during the third and fourth quarter of the Company's fiscal year.

(Canadian dollars in thousands, except per share amounts)

6. Cash and Cash Equivalents

The following table presents the cash and cash equivalents as at:

	September 30, 2020	September 30, 2019
Cash	$ 23,344	$ 17,135
Restricted cash	891	-
Total cash and cash equivalents	$ 24,235	$ 17,135

The following table presents cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	$ 11,771	1.00	$ 11,771
USD	4,534	1.33	6,048
GBP	78	1.72	135
EUR	2,906	1.56	4,542
CHF	421	1.45	609
NOK	7,958	0.14	1,130
Total cash and cash equivalents September 30, 2020			$ 24,235
CAD	$ 7,996	1.00	$ 7,996
USD	4,832	1.32	6,378
GBP	5	1.63	8
EUR	1,896	1.44	2,730
CHF	17	1.33	23
Total cash and cash equivalents September 30, 2019			$ 17,135

7. Accounts Receivable

The following table presents the trade and other receivables as at:

	September 30, 2020	September 30, 2019
Trade and accounts receivable	$ 78,788	$ 62,507
Tax and Scientific Research and Development receivable	1,563	1,500
Other	803	46
	81,154	64,053
Loss Allowance	(45)	(76)
	$ 81,109	$ 63,977

Bad debt recovery recognized in the year ended September 30, 2020 (2019) is $2 ($79).

(Canadian dollars in thousands, except per share amounts)

8. Inventory

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

The following table presents inventories as at:

	September 30, 2020	September 30, 2019
Raw materials	$ 3,677	$ 1,391
Work in process inventory	957	275
Finished goods	1,461	1,481
	$ 6,095	$ 3,147

Inventory recognized as cost of revenues in the year ended September 30, 2020 (2019) is $6,942 ($5,529). No inventory provisions have been recognized in the years ended September 30, 2020 (2019).

9. Prepaid Expenses

The following table presents prepaid expenses as at:

	September 30, 2020	September 30, 2019
Prepaid maintenance	$ 3,080	$ 2,406
Other prepaid expenses	3,627	2,997
	$ 6,707	$ 5,403

10. Contract assets and liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	September 30, 2020	September 30, 2019
Work in process	$ 84,132	$ 39,221
Unearned contract revenue	(13,435)	(8,778)
Net contract assets	$ 70,697	$ 30,443

The following table presents changes in net contract assets for the period ended:

	Changes in Net Contract Assets	
	September 30, 2020	September 30, 2019
Opening balance, October 1	$ 30,443	$ 7,335
Additions	128,772	84,583
Billings	(88,362)	(61,804)
Acquisitions	(156)	329
Ending balance	$ 70,697	$ 30,443

(Canadian dollars in thousands, except per share amounts)

11. Equipment

A continuity of the property and equipment for the year ended September 30, 2020 is as follows:

	Cost				Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions	Total	Depreciation	Accumulated Depreciation	September 30, 2020	September 30, 2019
Leasehold improvements	$ 2,437	$ 24	$ 76	$ 2,537	$ (244)	$ (667)	$ 1,870	$ 2,049
Equipment	21,379	1,873	1,577	24,829	(1,831)	(15,044)	9,785	8,916
Total equipment	$ 23,816	$ 1,897	$ 1,653	$ 27,366	$ (2,075)	$ (15,711)	$ 11,655	$ 10,965
Application software	$ 4,311	$ 2,438	$ 335	$ 7,084	$ (381)	$ (3,992)	$ 3,092	$ 1,013
Capitalized research and development	$ 3,217	$ 1,227	$ -	$ 4,444	$ (520)	$ (520)	$ 3,924	$ 3,216

12. Right-of-Use Assets and Lease Obligations

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

	Total Right-of-Use Assets
Balance October 1, 2019	$ 18,416
Additions	2,045
Disposals	(95)
Depreciation	(2,771)
Balance at September 30, 2020	$ 17,595

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

The following table presents lease obligations for the Company:

	Total Lease Obligations
Balance October 1, 2019	$ 20,259
Additions	1,969
Disposals	(130)
Principal Payments	(2,508)
Balance at September 30, 2020	$ 19,590
Current	$ 2,790
Non-current	16,800
Total	$ 19,590

(Canadian dollars in thousands, except per share amounts)

12. Right-of-Use Assets and Lease Obligations (continued)

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

	Total Undiscounted Lease Obligations
Less than one year	$ 3,167
One to five years	11,667
More than five years	6,629
Total undiscounted lease obligations	$ 21,463

Total cash outflow for leases in the year ended September 30, 2020 (2019) was $2,983 (nil), including principal payments relating to lease obligations of $2,508 (nil). Interest expense on lease obligations was $475 (nil). Expenses relating to short-term leases were $219 (nil) recognized in general and administration expenses.

13. Investment and Loan Receivable

Cliniconex

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

On November 13, 2019, the Company elected to exchange its existing convertible debt, and accrued interest into preferred shares, as well as invest a further $100 in preferred shares. The Company recognizes the investment at fair value, and has adjusted its common and preferred shares to the most recent fair value, resulting in a gain of $101 recognized in the year ended September 30, 2020. The year ended September 2019 resulted in interest income on the convertible loans of $20.

14. Acquired Intangible Assets

A continuity of the intangible assets for the year ended September 30, 2020 is as follows:

	September 30, 2020			
	Opening Balance	Additions (Note 26)	Amortization	Closing Balance
Customer relationship - Primacy	$ 1,909	$ -	$ -	1,909
Customer relationships	8,055	12,449	(2,843)	17,661
Contracts with customers & Non-competition agreements	1,083	373	(399)	1,057
Technology and trademarks	5,652	11,836	(1,924)	15,564
	$ 16,699	$ 24,658	$ (5,166)	$ 36,191

(Canadian dollars in thousands, except per share amounts)

14. Acquired Intangible Assets (continued)

A continuity of the intangible assets for the year ended September 30, 2019 is as follows:

	September 30, 2019			
	Opening Balance	Additions	Amortization	Closing Balance
Customer relationship - Primacy	$ 1,909	$ -	$ -	1,909
Customer relationships	3,083	6,353	(1,381)	8,055
Contracts with customers & Non-competition agreements	1,369	296	(582)	1,083
Technology and trademarks	341	6,516	(1,205)	5,652
	$ 6,702	$ 13,165	$ (3,168)	$ 16,699

15. Goodwill

The following table presents the goodwill for the Company for the year ended September 30, 2020:

	September 30, 2020
Opening balance	$ 33,702
Additions:	
Alio/Allphase	8,566
Comprehensive Training Solutions	1,003
EMSEC Solutions	2,557
Tallysman Wireless	9,462
Ending balance	$ 55,290

The following table presents the goodwill for the Company for the year ended September 30, 2019:

	September 30, 2019
Opening balance	$ 18,236
Additions:	
IntraGrain	7,745
SatService	7,721
Ending balance	$ 33,702

16. Accounts Payable and Accrued Liabilities

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

	September 30, 2020	September 30, 2019
Trade accounts payable	$ 47,827	$ 24,748
Payroll accruals	14,785	11,387
Income tax payable	4,906	256
Other accruals	4,489	8,667
	$ 72,007	$ 45,058

(Canadian dollars in thousands, except per share amounts)

17. Provisions

Changes in provisions for the year ended September 30, 2020 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2019	$ 801	$ 301	$ 27	$ 1,129
Additions	646	436	86	1,168
Utilization/Reversals	(802)	(457)	-	(1,259)
Balance at September 30, 2020	$ 645	$ 280	$ 113	$ 1,038

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

	Product Warranties	Severance	Other	Total
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

18. Line of Credit

The Company has a Revolving Credit Facility in the amount of $60,000 CAD available. The facility is committed for a 364 day term with maturity at June 4, 2021, at which point it can be renewed for another 364 day term. At September 30, 2020 (2019), the Company utilized NIL ($13,000) of the facility. The facility is secured against the Company's assets and is interest bearing at the Royal Bank of Canada's Prime Rate plus applicable margin.

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, 2020.

Common share issued and outstanding:

	September 30, 2020		September 30, 2019	
	Shares	Amount	Shares	Amount
Balance October 1	7,929,238	$ 32,515	7,764,762	$ 28,647
Shares issued under employee share plans	153,222	5,323	139,814	3,034
Shares issued under employee stock purchase plan	46,918	1,746	28,941	850
Share repurchases	-	-	(4,279)	(16)
Shares issued through acquisition	62,054	2,500	-	-
Shares issued under public offering	1,568,600	65,847	-	-
Issued capital	9,760,032	$ 107,931	7,929,238	$ 32,515

19. Issued Capital and Reserves (continued)

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

Subsequent to the date of the statement of financial position, on November 24, 2020, the date of issuance of these consolidated financial statements, the Company declared a dividend of $0.28 per common share payable on December 22, 2020.

Contributed surplus

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

20. Share-Based Compensation

Employee Share Purchase Plan

During the year ended September 30, 2020 (2019), the Company issued 28,754 (28,941) shares under the Company's previous Employee Share Purchase Plan at an average price of $24.70 ($26.65). The Company received $710 ($714) in proceeds.

On February 6, 2020, the Company adopted a new Employee Share Purchase Plan (the "2020 Employee Share Purchase Plan"). This new plan replaces the previous Employee Share Plan. Under the 2020 Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of September 30, 2020 the Company can issue 481,836 shares.During the year ended September 30, 2020 under the 2020 Employee Share Purchase Plan, the Company issued 18,164 shares at an average price of $49.58. The Company received $720 in proceeds to date under the new plan.

For the year ended September 30, 2020 (2019) the Company recorded Employee Share Purchase Plan expense of $196 ($136) for both plans.

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 an aggregate 9% (878,403) 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, 2020, the Company has 286,677 stock options and RSUs outstanding. As a result, the Company could grant up to 591,726 additional stock options or RSU's pursuant to the plan.

The weighted average fair value of options granted during the year ended September 30, 2020 was $7.58 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.

(Canadian dollars in thousands, except per share amounts)

20. Share-Based Compensation (continued)

The following assumptions were used to determine the fair value of the options granted in the year ended September 30, 2020:

	Weighted Average Options Granted Year ended September 30,			
	2020		2019	
Grant date share price	$	54.01	$	29.52
Exercise price	$	54.01	$	29.52
Expected price volatility	%	22.3	%	22.8
Expected option life	yrs	4.00	yrs	4.00
Expected dividend yield	%	2.14	%	3.78
Risk-free interest rate	%	0.68	%	2.25
Forfeiture rate	%	0	%	0

	September 30, 2020			September 30, 2019		
	Number of Options	Weighted Avg. Exercise Price		Number of Options	Weighted Avg. Exercise Price	
Outstanding October 1	239,400	$	30.57	247,400	$	25.43
Exercised	(139,300)		31.17	(131,600)		19.79
Forfeited	(2,000)		29.55	(5,000)		32.57
Granted	132,538		54.01	128,600		29.52
Outstanding September 30	230,638	$	43.69	239,400	$	30.57

The following share-based payment arrangements are in existence:

Option series:	Number of Options	Grant date	Expiry date	Exercise price		Fair value at grant date	
(1) Issued May 17, 2017	10,000	May 17, 2017	May 17, 2022	$	27.30	$	3.42
(2) Issued November 24, 2017	15,000	November 24, 2017	November 24, 2022	$	34.58	$	4.53
(3) Issued March 27, 2018	6,000	March 27, 2018	March 27, 2023	$	31.54	$	4.62
(4) Issued November 19, 2018	70,600	November 19, 2018	November 19, 2023	$	29.55	$	3.96
(5) Issued February 8, 2019	3,000	February 8, 2019	February 8, 2024	$	29.06	$	3.95
(6) Issued November 25, 2019	28,500	November 25, 2019	November 25, 2024	$	36.49	$	5.18
(7) Issued August 13, 2020	97,538	August 13, 2020	August 13, 2025	$	60.30	$	8.44

For the options issued on November 25, 2019, 7,000 options vested immediately with the remaining vesting through to November 25, 2020. Options issued on August 13, 2020 vest through to August 13, 2022.

At September 30, 2020 (2019) the weighted average remaining contractual life of options outstanding is 3.85 (3.53) years of which 98,100 (143,400) options are exercisable at a weighted average price of $31.73 ($30.30). The Company has recorded $324 of share-based compensation expense in the year ended September 30, 2020 (2019 - $491) related to the options that have been granted. The Company has total unrecognized compensation expense of $766 (2019 - $86) that will be recorded in the next two fiscal years.

(Canadian dollars in thousands, except per share amounts)

20. Share-Based Compensation (continued)

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, 2020:

	September 30, 2020		September 30, 2019	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	47,736	$ 30.11	20,970	$ 31.40
Exercised	(13,922)	30.28	(8,214)	30.83
Forfeited	(790)	31.99	(1,713)	30.24
Granted	23,015	36.49	36,693	29.54
Balance at September 30	56,039	$ 32.67	47,736	$ 30.11

Of the units issued in the current year under the RSU plan, 26 have vested as of September 30, 2020. The Company has recorded $899 of share-based compensation expense in the year ended September 30, 2020 (2019 - $691) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of $475 at September 30, 2020 (2019 - $579) that will be recorded over the next two years.

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

RSU series:	Number of RSUs	Grant date	Vest through	Fair value at grant date
(1) Issued November 24, 2017	2,881	November 24, 2017	November 15, 2022	$ 34.58
(2) Issued February 12, 2018	1,141	February 12, 2018	November 15, 2020	$ 31.01
(3) Issued March 27, 2018	185	March 27, 2018	November 15, 2020	$ 31.54
(4) Issued November 16, 2018	28,577	November 6, 2018	November 15, 2021	$ 29.55
(5) Issued February 7, 2019	450	February 7, 2019	November 15, 2021	$ 29.06
(6) Issued November 25, 2019	22,805	November 25, 2019	November 15, 2022	$ 36.49

Deferred share unit plan

During the year ended September 30, 2020 (2019) the Company granted 3,738 (4,046) deferred share units ("DSU"). The Company recorded share-based compensation of $141 (2019 – $207) related to the DSUs in the year ended September 30, 2020 (2019). Each DSU entitles the participant to receive the value of one Common Share. The DSUs vest immediately as the participants are entitled to the value of shares upon termination of their service.

There are 24,652 (20,914) DSUs outstanding at September 30, 2020 (2019). The fair value of the DSUs outstanding at September 30, 2020 (2019) was $61.71 ($29.94) per unit using the fair value of a Common Share at period end. The company recorded a fair value adjustment in general and administration expense during the year ended September 30, 2020 (2019) of $780 ($90).

(Canadian dollars in thousands, except per share amounts)

21. Revenue

The following table presents the revenue of the Company for the year ended September 30, 2020 and 2019:

	Year ended	
	September 30, 2020	September 30, 2019
Product revenue		
Advanced Technologies	$ 109,532	$ 66,204
Health	25,184	-
Learning	-	-
Information Technology	8,357	3,549
Total product revenue	$ 143,073	$ 69,753
Service revenue		
Advanced Technologies	$ 43,850	$ 43,493
Health	137,851	115,718
Learning	57,834	63,098
Information Technology	49,712	50,982
Total service revenue	$ 289,247	$ 273,291
Total revenue	$ 432,320	$ 343,044

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, 2020 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might materially 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, 2020
Less than 24 months	$ 479,820
Thereafter	260,435
Total	$ 740,255

(Canadian dollars in thousands, except per share amounts)

22. Net Profit per Share

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

	Year ended September 30	
	2020	2019
Weighted average number of common shares – basic	9,044,588	7,843,265
Additions to reflect the dilutive effect of employee stock options and RSU's	59,910	20,096
Weighted average number of common shares – diluted	9,104,498	7,863,361

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, 2020 (2019), NIL (204,200) options and NIL (NIL) RSU's were excluded from the above computation. Net profit is the measure of profit or loss used to calculate profit per share.

23. Income Taxes

Current 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:

	2020	2019
Profit before income taxes	$ 27,220	$ 25,871
Tax provision at the combined basic Canadian federal and provincial income tax rate of 26.9% (2019: 26.9%)	7,322	6,959
Increase (decrease) resulting from:		
Non-deductible expenses	489	707
Impact of rate changes relating to deferred income tax assets	(236)	(327)
Other income not taxable in determining net profit	(854)	(1,381)
Other	139	(79)
Income tax expense	$ 6,860	$ 5,879

(Canadian dollars in thousands, except per share amounts)

23. Income Taxes (continued)

Deferred Income Taxes

Reconciliation of deferred tax assets and liabilities are shown below:

Deferred tax assets (liabilities)	Equipment and application software	Acquired intangible assets	Bought deal costs	Cash flow hedging reserve	Other	Total
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)
Current year acquisition	-	(6,409)	-	-	-	(6,409)
Bought Deal Offering	-	-	1,027	-	-	1,027
Recovery (expensed) to statement of net profit	(674)	1,313	(111)	-	783	1,311
Recovery (expensed) to other comprehensive income	-	-	-	335	-	335
Deferred tax liability at September 30, 2020	$(1,976)	$ (9,704)	$ 916	$ 542	$ 961	$ (9,261)

Investments in subsidiaries

As at September 30, 2020 (2019), the Company had temporary differences of $8,396 ($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.

24. Segmented Information

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

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

(Canadian dollars in thousands, except per share amounts)

24. Segmented Information (continued)

For the year ended September 30, 2020:

For the year ended September 30, 2020	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	$153,382	$163,035	$ 57,834	$ 58,069	$ -	$432,320
Cost of revenues	119,391	130,665	45,383	47,725	-	343,164
Gross profit	33,991	32,370	12,451	10,344	-	89,156
Gross profit %	22%	20%	22%	18%	N/A%	21%
Selling and marketing	4,995	1,699	987	2,770	1,885	12,336
General and administration	6,457	6,815	2,882	2,785	19,073	38,012
Research and development	1,536	460	-	2	-	1,998
Profit before under noted items	$ 21,003	$ 23,396	$ 8,582	$ 4,787	$(20,958)	$ 36,810
Profit before under noted items %	14%	14%	15%	8%	N/A%	9%
Depreciation of equipment, application software and R&D						2,976
Depreciation of right of use asset						2,771
Amortization of acquired intangible assets						5,166
Other changes in fair value						(101)
Changes in fair value related to contingent earn-out						(1,882)
Profit before interest and income tax expense						$ 27,880
Lease obligations interest expense						475
Interest expense (income)						185
Profit before income tax expense						$ 27,220
Income tax expense – current						8,171
Income tax expense (recovery) – deferred						(1,311)
Total income tax expense						$ 6,860
NET PROFIT FOR THE PERIOD						$ 20,360

(Canadian dollars in thousands, except per share amounts)

24. Segmented Information (continued)

For the year ended September 30, 2019:

For the year ended September 30, 2019	Advanced Technologies	Health	Learning	IT	Shared Services	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	7,752	3,948	2,838	2,497	18,557	35,592
Research and development	1,420	-	-	-	-	1,420
Profit before under noted items	$ 16,522	$ 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, application software and R&D						2,220
Amortization of acquired intangible assets						3,168
Other changes in fair value						-
Changes in fair value related to contingent earn-out						(4,149)
Profit before interest and income tax expense						$ 25,907
Interest expense (income)						36
Profit before income tax expense						$ 25,871
Income tax expense – current						6,318
Income tax expense (recovery) – deferred						(439)
Total income tax expense						$ 5,879
NET PROFIT FOR THE PERIOD						$19,992

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

	September 30, 2020	September 30, 2019
Canada	75%	81%
United States	19%	15%
Europe	6%	4%

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various departments and agencies of the Canadian federal, provincial and municipal governments for the year ended September 30, 2020 (2019) represented 53% (69%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

25. Financial Instruments and Risk Management

Capital Risk Management

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

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

Foreign currency risk related to contracts

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

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

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

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its German subsidiary is the European Euro ("EUR"), and the functional currency of its Norwegian subsidiary is the Norwegian Krone ("NOK"). The presentation currency of these financial statements is the Canadian dollar.

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

(Canadian dollars in thousands, except per share amounts)

25. Financial Instruments and Risk Management (continued)

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Company's German operations and Norwegian operations are first expressed in the Companies' EUR and NOK functional currencies, respectively, using exchange rates prevailing at the reporting date which are then translated into the Company's reporting currency using prevailing rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Translation differences are recognized in other comprehensive income and recorded in the "cumulative translation adjustment".

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

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value September 30, 2020
SELL	$ 125,548	USD	October 2020	$ 167,217	$ 352
BUY	933	EURO	October 2020	1,458	3
BUY	644	CHF	October 2020	932	3
Derivative assets					$ 358
BUY	$ 45,393	USD	October 2020	$ 60,459	$ (127)
SELL	6,312	EURO	October 2020	9,861	(23)
SELL	421	CHF	October 2020	609	(2)
Derivative liabilities					$ (152)

A 10% strengthening of the Canadian dollar against the following currencies at September 30, 2020 would have decreased other comprehensive income by the amounts shown below.

	September 30, 2020
USD	$ 9,705
EURO	5,139
CHF	(29)
NOK	272
Total	$ 15,087

A 10% strengthening against the Canadian dollar of the currencies to which the Company had exposure that is not related to forward foreign exchange contracts would have increased Net Profit (a 10% weakening against the USD would have had the opposite effect) by the amounts shown below.

	September 30, 2020
USD	$ 294
EURO	2
Total	$ 296

(Canadian dollars in thousands, except per share amounts)

25. Financial Instruments and Risk Management (continued)

Credit risk

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

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are for the most part, federal and provincial government departments and large private companies. A significant portion of the Company's accounts receivable is from long-time customers. At September 30, 2020 (2019), 56% (71%) 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.

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

	September 30, 2020	September 30, 2019
Cash and cash equivalents	$ 24,235	$ 17,135
Accounts receivable	81,109	63,977
Derivative assets	358	96
Total	$ 105,702	$ 81,208

The aging of accounts receivable at the reporting date was:

	September 30, 2020	September 30, 2019
Current	$ 76,470	$ 60,574
Past due (61-120 days)	3,305	1,249
Past due (> 120 days)	1,334	2,154
Total	$ 81,109	$ 63,977

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as much as possible, that it will always have sufficient liquidity to meet liabilities when due. At September 30, 2020, the company has a secured credit facility, subject to annual renewal, that allows the Company to borrow funds up to an aggregate of $60,000. At as September 30, 2020, NIL was drawn on the facility for current operations, and Nil was drawn to issue letters of credit to meet customer contractual requirements.

Fair Value

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on September 30, 2020 and represent the difference between the hedge rate and the exchange rate at the end of the reporting period.

(Canadian dollars in thousands, except per share amounts)

25. Financial Instruments and Risk Management (continued)

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).

	September 30, 2020		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 24,235	$ -	$ -
Investment and loan receivable	-	-	670
Derivative financial assets	-	358	-
Contingent earn-out	-	-	(15,164)
Derivative financial liabilities	-	(152)	-
Total	$ 24,235	$ 206	$ (14,494)

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

There were no transfers between Level 1, Level 2 and level 3 during the three and nine month periods ended September 30, 2020.

26. Acquisitions

(D.T.) Secure Technologies International Inc.

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

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Secure Tech an additional $800 and $800 if Secure Tech attains specified levels of EBITDA for the years ending May 31, 2019 and 2020, respectively. Secure Tech did not achieve the level of EBITDA required for the year 1 earn-out. This resulted in a reduction of the first year earn out liability in the amount of $800 which was recognized in fiscal year 2019. At September 30, 2020, the second year target was met, and overachieved, resulting in a payment of $1,025. For the year ended September 30, 2020, the net impact was $225 reflected in ‘ changes in fair value related to contingent earn-out’.

26. 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, $11,000 was paid on the date of closing and $6,000 is payable contingently. IntraGrain is the maker of the BIN-SENSE® grain storage solution. The technology combines Internet of Things (connectivity) with bin sensors to protect grain quality and eliminate the risk of stored grain spoilage and is reported as part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of IntraGrain an additional $2,500 and $3,500 if IntraGrain attains specified levels of EBITDA for the years ending October 31, 2019 and 2020, respectively. IntraGrain did not achieve the level of EBITDA required for the year 1 earn-out. This resulted in a decrease of the first year earn out liability in the amount of $2,447 which was recognized in fiscal year 2019. At September 30, 2020, it is estimated that IntraGrain will not achieve its second year targeted EBITDA to meet the earn-out criteria, which resulted in a decrease of the second year earn-out liability in the amount of $3,288 reflected in 'changes in fair value related to contingent earn-out' in the statement of Net profit.

Sat Service, Gesellschaft für Kommunikationssysteme mbH. ("SatService")

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

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of SatService an additional $2,014 and $3,282 (1,350 EURO and 2,200 EURO) if SatService attains specified levels of EBITDA for the nine-month period ended December 31, 2019 and for the twelve-month period ending December 31, 2020. SatService did not achieve the level of EBITDA required for the year 1 earn-out. This resulted in a decrease of the first year earn out liability in the amount of $1,925 which was recognized in fiscal year 2019. At September 30, 2020, it is estimated that SatService will not achieve its second year targeted EBITDA to meet the earn-out criteria, which resulted in a decrease of the second year earn-out liability in the amount of $2,988 reflected in 'changes in fair value related to contingent earn-out' in the statement of Net Profit.

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

On January 30, 2020, the Company acquired all of the outstanding shares of Alio/Allphase for a purchase price of up to $25,056. Of this amount, $10,500 was paid in cash on the date of closing, $56 was paid in cash on settlement of net equity, $2,500 was paid in common shares, and $12,000 is payable contingently, of which $3,000 is included in the purchase price. Alio/Allphase serve the pharmaceutical and medical device industry and the broader health care sector with clinical trial services, specialty medication support and community care and other services, all enabled by an innovative health care delivery management software application. Alio/Allphase is reported as part of the Health operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Alio/Allphase an additional $6,000 and $6,000 if Alio/Allphase attains specified levels of EBITDA for the years ending January 30, 2021 and 2022, respectively. This contingent consideration is recognized at its present and risk adjusted value of $2,355 at the date of acquisition. On the transaction close date, it was estimated that Alio/Allphase was not going to achieve the first year target and the contingent earn-out at the date of acquisition that was accounted for only included the second year amount. At September 30, 2020, management assessed the likelihood of Alio/Allphase achieving the earn-out target for year 1, and it was determined that an amount of $3,152 is likely to be achieved. This was recognized in the current year as a change in fair value related to contingent earn out in the statement of profit. To date, $207 in changes in fair value related to the second year contingent earn out has been recognized. Alio/Allphase changed their estimate, resulting in a recovery of $100 in contingent earnout relating to an acquisition that occurred previous to January 30, 2020. This amount is included in 'changes in fair value in the statement of Net Profit.

(Canadian dollars in thousands, except per share amounts)

26. Acquisitions (continued)

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

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

(Canadian dollars in thousands, except per share amounts)

26. Acquisitions (continued)

EMSEC Solutions Inc. ("EMSEC")

On July 14, 2020, the Company acquired all of the outstanding shares of EMSEC for a purchase price of up to $4,809. Of this amount, $3,000 was paid in cash on the date of closing, $9 is to be paid in cash on settlement of net equity and $1,800 is payable contingently. EMSEC's customized services include vulnerability assessments, monitoring, training, risk mitigation and countermeasure sweeps. The firm's emission analyzer software product, provides automated and manual signal analysis supporting production testing, equipment certification, as well as troubleshooting, investigation and research. EMSEC is reported as part of the IT operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of EMSEC an additional $900 and $900 if EMSEC attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. With the current projections, management believes that EMSEC can achieve its earn-out target in both years. Therefore, the amount of $1,297 represents the estimated present and risk adjusted value of the Company's obligation at the acquisition date. To date, $63 in changes in fair value related to the contingent earn-outs has been recognized.

	Net Assets Acquired	Purchase Price Accounting	Fair Value of Net Assets Acquired
Cash	$ 254	-	$ 254
Accounts receivable and tax receivable	611	-	611
Prepaid expenses and other	9	-	9
	$ 874	$ -	$ 874
Equipment	$ 109	$ -	$ 109
Goodwill	25	2,532	2,557
Intangible assets	-	1,721	1,721
	$ 1,008	$ 4,253	$ 5,261
Accounts payable and accrued liabilities	$ 386	$ -	$ 386
Deferred tax liability	-	456	456
Taxes Payable	113	-	113
	$ 499	$ 456	$ 955
Net purchase price			4,306
Discount on contingent consideration			503
Total purchase price			$ 4,809

(Canadian dollars in thousands, except per share amounts)

26. Acquisitions (continued)

Comprehensive Training Solutions International ("CTS")

On July 8, 2020, the Company acquired all of the outstanding shares of CTS for a purchase price of up to $1,983. Of this amount, $1,135 was paid in cash on the date of closing and $848 is payable contingently. CTS designs, develops and delivers complex training exercises for the Joint Warfare Centre, a multi-national and multi-service organization of North Atlantic Treaty Organization ("NATO"), and the wider NATO audience across Europe. CTS is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of CTS an additional $417 and $431 if CTS attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. With the current projections, management believes that CTS can achieve its earn-out target in both years. Therefore, the amount of $618 represents the estimated present and risk adjusted value of the Company's obligation at the acquisition date. To date, $27 in changes in fair value related to the contingent earn-outs has been recognized.

	Net Assets Acquired	Purchase Price Accounting	Fair Value of Net Assets Acquired
Cash	$ 408	-	$ 408
Accounts receivable and tax receivable	53	-	53
	$ 461	$ -	$ 461
Equipment	$ 8	$ -	$ 8
Goodwill		1,003	1,003
Intangible assets	-	661	661
	$ 469	$ 1,664	$ 2,133
Accounts payable and accrued liabilities	$ 112	$ -	$ 112
Deferred tax liability	-	146	146
Taxes Payable	122	-	122
	$ 234	$ 146	$ 380
Net purchase price			1,753
Discount on contingent consideration			230
Total purchase price			$ 1,983

Tallysman Wireless Inc. ("Tallysman")

On September 1, 2020, the Company acquired all of the outstanding shares of Tallysman for a purchase price of up to $25,354. Of this amount, $15,000 was paid in cash on the date of closing, $1,654 is to be paid in cash on settlement of net equity and $8,700 is payable contingently. Tallysman designs, manufactures and sells a very wide range of Global Navigation Satellite System, Iridium and Globalstar antennas and related products into a market with a broad range of vertical applications that include precision reference systems, survey, timing, precision agriculture, unmanned and autonomous vehicles and marine. The company also produces cloud based wireless tracking systems over two-way radio systems and 4G category M cellular systems, for applications ranging from school buses to municipal public works. Tallysman is reported as part of the Advanced Technologies operating segment.

(Canadian dollars in thousands, except per share amounts)

26. Acquisitions (continued)

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Tallysman an additional $3,950 and $4,750 if Tallysman attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. With the current projections, management believes that Tallysman can achieve its earn-out target in both years. Therefore, the amount of $7,282 represents the estimated present and risk adjusted value of the Company's obligation at the acquisition date. To date, $63 in changes in fair value related to the contingent earn-outs has been recognized.

	Net Assets Acquired	Purchase Price Accounting	Fair Value of Net Assets Acquired
Cash	$ 643	-	$ 643
Accounts receivable and tax receivable	1,640	-	1,640
Prepaid expenses and other	105	-	105
Inventory	2,621	-	2,621
	$ 5,009	$ -	$ 5,009
Equipment	$ 459	$ -	$ 459
Goodwill	-	9,462	9,462
Intangible assets	-	13,360	13,360
	$ 5,468	$ 22,822	$ 28,290
Accounts payable and accrued liabilities	$ 753	$ -	$ 753
Deferred Income	61	-	61
Deferred tax liability	-	3,540	3,540
	$ 814	$ 3,540	$ 4,354
Net purchase price			23,936
Discount on contingent consideration			1,418
Total purchase price			$ 25,354

Cash consideration paid for acquisitions during the year ended September 30, 2020:

	Secure Tech	Alio/Allphase	EMSEC	CTS	Tallysman	Total
Consideration paid in cash	$ 1,025	10,500	3,000	1,135	15,000	30,660
Less- cash balance acquired	-	(67)	(254)	(408)	(643)	(1,372)
	$ 1,025	10,433	2,746	727	14,357	29,288

Cash consideration paid for acquisitions during the year ended September 30, 2019:

	ISR	IntraGrain	SatService	Total
Consideration paid in cash	$ 1,640	11,000	10,741	23,381
Less- cash balance acquired	-	(111)	(2,421)	(2,532)
	$ 1,640	10,889	8,320	20,849

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

(Canadian dollars in thousands, except per share amounts)

27. Contingent Earn-Out

The following shows the contingent consideration activity for the year ended September 30, 2020:

				Change in Fair Value		
Company Acquired	**Beginning balance**	**Acquisition**	**Payments**	**Other**	**Adjustment for likelihood of payment**	**Ending balance**
Secure Tech	$ 800	$ -	$ (1,025)	$ -	$ 225	$ -
IntraGrain Technologies	2,885	-	-	403	(3,288)	-
SatService	2,634	-	-	354	(2,988)	-
Alio/Allphase	-	2,555	-	207	3,052	5,814
Comprehensive Training Solutions	-	618	-	27	-	645
EMSEC Solutions	-	1,297	-	63	-	1,360
Tallysman Wireless	-	7,282	-	63	-	7,345
Total	$ 6,319	$ 11,752	$ (1,025)	$ 1,117	$ (2,999)	$ 15,164

As at September 30, 2020, the total gross value of all contingent consideration outstanding is $30,277.

The following shows the contingent consideration activity for the year ended September 30, 2019:

				Change in Fair Value		
Company Acquired	**Beginning balance**	**Acquisition**	**Payments**	**Other**	**Adjustment for likelihood of payment**	**Ending balance**
ISR	$ 1,566	$ -	$ (1,640)	$ 74	$ -	$ -
Secure Tech	1,600	-	-	-	(800)	800
IntraGrain Technologies	-	4,688	-	644	(2,447)	2,885
SatService		4,254	-	305	(1,925)	2,634
Total	$ 3,166	$ 8,942	$ (1,640)	$ 1,023	$ (5,172)	$ 6,319

28. Pension Plan

The Company sponsors a defined contribution pension plan for certain of its employees. Required contributions have been fully funded to September 30, 2020. For fiscal 2020 (2019), an amount of $1,228 ($1,172) was expensed related to this pension plan.

29. Related Party Transactions

During the year ended September 30, 2020 (2019), the Company had sales of $1,160 ($1,552) to GrainX in which Calian holds a non-controlling equity investment. At September 30, 2020 (2019), the Company had an accounts receivable balance with GrainX of $130 ($90) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties and are representative of fair market value.

The Company has certain office space leases with employees of the Company. The total amount of expense due to leases with related parties is $184 ($192) for the year ended September 30, 2020 (2019). Lease terms are within normal course of operations and are representative of fair market value.

(Canadian dollars in thousands, except per share amounts)

29. 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, Engineering.

	2020	2019
Short-term benefits	$ 2,570	$ 2,699
Share-based payments	1,349	536
	$ 3,919	$ 3,235

30. Contingencies

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

31. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation whereby facilities expense of $5,306 for the year ended September 30, 2019 have been reclassified from a stand-alone line in the statement of net profit into general and administration expense, and research and development expense of $1,420 for the year ended September 30, 2019 has been separated from general and administration expense into research and development expenses.

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

In addition, certain comparative lines have been reclassified in the current year for amounts related to contingent earn out changes on the statement of Net Profit. In the current year the Company reports all changes in fair value related to contingent earn out in the Changes in fair value related to contingent earn out amount in the statement of Net Profit. This has resulted in the amounts of income of $5,172 presented in Gain on change in estimate and expense of $1,023 presented in Accretion interest expense related to acquisitions being presented in Changes in fair value related to contingent earn out for comparative purposes.

32. Subsequent Events

Effective October 30, 2020, the Company acquired the outstanding shares of Cadence Consultancy Limited ("Cadence"), for total cash consideration of up to 2,000 Pound Sterling ($3,451 CAD) of which, £1,100 ($1,898 CAD) was paid on closing, and £900 ($1,553 CAD) is payable contingently. Cadence is a UK based training firm with operations across the North Atlantic Treaty Organization (NATO) with a particular focus on the Joint Forces Training Centre (JFTC). Cadence was acquired to expand the Company's work with NATO which was initially won with the acquisition of CTS in July of fiscal 2020. Cadence will be reported as part of the Learning operating segment and fully consolidated as of November 1, 2020.

Additional Information

Additional information about the Company such as the Company's 2020 Annual Information Form and Management Circular can be found on SEDAR at www.SEDAR.com

Corporate Head Office

770 Palladium Drive
Ottawa, Ontario, Canada K2V 1C8
Phone: 613.599.8600
Fax: 613.592.3664
Web: www.calian.com

Board of Directors

George Weber
President, WebX Consulting Ltd.
Chairman, Calian Group Ltd.
Chair of the Nominating Committee

Kenneth J. Loeb
Executive Chairman, Ambassador Realty Inc.
Chair of the Compensation Committee

Richard Vickers, FCA
Consultant
Chair of the Audit Committee

Jo-Anne Poirier
President and CEO, VON Canada
Chair of the Governance Committee

Ray Basler, CPA, CA
Consultant

Young Park
Consultant

Kevin Ford
President and CEO, Calian Group Ltd.

Common Share Information

The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol CGY.

Dividend Policy

The Company intends to continue to declare a quarterly dividend in line with its overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount of such dividends in the future.