

# UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023



**CALIAN GROUP LTD.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As at March 31, 2023 and September 30, 2022**  
**(Canadian dollars in thousands, except per share data)**

	NOTES	March 31, 2023	September 30, 2022
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	\$ 45,903	\$ 42,646
Accounts receivable	5	164,195	171,453
Work in process	8	32,282	39,865
Inventory	6	23,666	18,643
Prepaid expenses	7	24,903	23,780
Derivative assets	22	25	123
<b>Total current assets</b>		<b>290,974</b>	<b>296,510</b>
<b>NON-CURRENT ASSETS</b>			
Capitalized research and development	9	1,670	2,186
Equipment	9	15,981	16,623
Application software	9	9,723	10,395
Right of use assets	10	14,873	16,678
Investments	11	3,359	670
Acquired intangible assets	12	50,064	57,087
Deferred tax asset		940	1,054
Goodwill	13	146,015	145,959
<b>Total non-current assets</b>		<b>242,625</b>	<b>250,652</b>
<b>TOTAL ASSETS</b>		<b>\$ 533,599</b>	<b>\$ 547,162</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Debt facility	16	\$ -	\$ 7,500
Accounts payable and accrued liabilities	14	116,326	126,096
Contingent earn-out	24	21,830	25,676
Provisions	15	1,162	1,249
Unearned contract revenue	8	49,111	46,210
Derivative liabilities	22	54	812
Lease obligations	10	4,146	4,115
<b>Total current liabilities</b>		<b>192,629</b>	<b>211,658</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease obligations	10	13,185	14,920
Contingent earn-out	24	-	2,874
Deferred tax liabilities		11,749	12,524
<b>Total non-current liabilities</b>		<b>24,934</b>	<b>30,318</b>
<b>TOTAL LIABILITIES</b>		<b>217,563</b>	<b>241,976</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	17	219,556	213,277
Contributed surplus		3,102	3,479
Retained earnings		94,749	92,198
Accumulated other comprehensive loss		(1,371)	(3,768)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>316,036</b>	<b>305,186</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 533,599</b>	<b>\$ 547,162</b>
Number of common shares issued and outstanding	17	<u>11,726,524</u>	<u>11,607,391</u>

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

**CALIAN GROUP LTD.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT**  
For the three and six month periods ended March 31, 2023 and 2022  
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended March 31,		Six months ended March 31,	
		2023	2022	2023	2022
Revenue					
Advanced Technologies		\$ 46,799	\$ 39,562	\$ 81,066	\$ 80,729
Health		43,681	45,452	84,136	87,830
Learning		28,783	24,828	55,223	47,610
ITCS		49,280	32,260	95,661	55,435
<b>Total Revenue</b>	19	<b>168,543</b>	<b>142,102</b>	<b>316,086</b>	<b>271,604</b>
Cost of revenues		116,452	102,183	218,776	198,031
<b>Gross profit</b>		<b>52,091</b>	<b>39,919</b>	<b>97,310</b>	<b>73,573</b>
Selling and marketing		11,831	5,342	22,974	9,896
General and administration		20,493	16,626	37,893	30,410
Research and development		2,922	1,184	5,343	2,538
<b>Profit before under noted items</b>		<b>16,845</b>	<b>16,767</b>	<b>31,100</b>	<b>30,729</b>
Depreciation of equipment, application software and research and development	9	2,252	1,302	4,549	2,429
Depreciation of right of use assets	10	1,015	878	2,022	1,701
Amortization of acquired intangible assets	12	3,450	10,128	6,811	13,720
Deemed compensation	23, 24	50	247	147	1,000
Changes in fair value related to contingent earn- out	23, 24	2,562	1,619	3,304	2,615
<b>Profit before interest income and income tax expense</b>		<b>7,516</b>	<b>2,593</b>	<b>14,267</b>	<b>9,264</b>
Lease obligations interest expense	10	122	106	233	214
Interest expense (income)		(27)	95	(15)	146
<b>Profit before income tax expense</b>		<b>7,421</b>	<b>2,392</b>	<b>14,049</b>	<b>8,904</b>
Income tax expense – current		3,501	3,511	6,213	6,485
Income tax recovery – deferred		(597)	(2,386)	(1,257)	(3,154)
Total income tax expense		2,904	1,125	4,956	3,331
<b>NET PROFIT</b>		<b>\$ 4,517</b>	<b>\$ 1,267</b>	<b>\$ 9,093</b>	<b>\$ 5,573</b>
<b>Net profit per share:</b>					
Basic	20	\$ 0.39	\$ 0.11	\$ 0.78	\$ 0.49
Diluted	20	\$ 0.38	\$ 0.11	\$ 0.78	\$ 0.49

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

**CALIAN GROUP LTD.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the three and six month periods ended March 31, 2023 and 2022  
(Canadian dollars in thousands)

	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
<b>NET PROFIT</b>	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Items that will be reclassified subsequently to net profit				
Cumulative translation adjustment	29	123	801	512
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of \$56 and \$575 (2022 - \$215 and \$132)	155	689	1,596	(165)
Other comprehensive income, net of tax	184	812	2,397	347
<b>COMPREHENSIVE INCOME</b>	<b>\$ 4,701</b>	<b>\$ 2,079</b>	<b>\$ 11,490</b>	<b>\$ 5,920</b>

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

**CALIAN GROUP LTD.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the six month periods ended March 31, 2023 and 2022  
(Canadian dollars in thousands, except per share data)

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
<b>Balance October 1, 2022</b>		<b>\$ 213,277</b>	<b>\$ 3,479</b>	<b>\$ 92,198</b>	<b>\$ (3,768)</b>	<b>\$ 305,186</b>
Net profit and comprehensive income		-	-	9,093	2,397	11,490
Dividend paid (\$0.56 per share)		-	-	(6,542)	-	(6,542)
Shares issued under employee share plans	17	1,958	(1,359)	-	-	599
Shares issued through acquisition	17	2,844	-	-	-	2,844
Shares issued under employee share purchase plan	17	1,477	-	-	-	1,477
Share-based compensation expense	18	-	982	-	-	982
<b>Balance March 31, 2023</b>		<b>\$ 219,556</b>	<b>\$ 3,102</b>	<b>\$ 94,749</b>	<b>\$ (1,371)</b>	<b>\$ 316,036</b>

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
<b>Balance October 1, 2021</b>		<b>\$ 194,960</b>	<b>\$ 5,224</b>	<b>\$ 91,359</b>	<b>\$ 817</b>	<b>\$ 292,360</b>
Comprehensive income		-	-	5,573	347	5,920
Dividend paid (\$0.56 per share)		-	-	(6,337)	-	(6,337)
Shares issued under employee share plans	17	1,743	(864)	-	-	879
Shares issued under employee share purchase plan	17	1,310	(129)	-	-	1,181
Share based compensation expense	18	-	872	-	-	872
<b>Balance March 31, 2022</b>		<b>\$ 198,013</b>	<b>\$ 5,103</b>	<b>\$ 90,595</b>	<b>\$ 1,164</b>	<b>\$ 294,875</b>

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

**CALIAN GROUP LTD.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the three and six month periods ended March 31, 2023 and 2022  
(Canadian dollars in thousands)

	NOTES	Three months ended		Six months ended	
		March 31,		March 31,	
		2023	2022	2023	2022
<b>CASH FLOWS GENERATED FROM (USED IN)</b>					
<b>OPERATING ACTIVITIES</b>					
Net profit		\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Items not affecting cash:					
Interest expense (income)		(27)	95	(15)	146
Changes in fair value related to contingent earn-out	24	2,562	1,619	3,304	2,615
Lease obligations interest expense	10	122	106	233	214
Income tax expense		2,904	1,125	4,956	3,331
Employee share purchase plan expense	18	138	127	301	262
Share based compensation expense	18	575	525	982	872
Depreciation and amortization	9, 10, 12	6,717	12,308	13,382	17,850
Deemed compensation	23, 24	50	247	147	1,000
		17,558	17,419	32,383	31,863
<b>Change in non-cash working capital</b>					
Accounts receivable		(27,455)	(19,400)	7,259	(16,782)
Work in process		758	(4,307)	7,583	3,471
Prepaid expenses and other		(2,879)	(5,882)	785	(5,950)
Inventory		2,942	(192)	(5,023)	(1,977)
Accounts payable and accrued liabilities		19,729	19,398	(7,539)	3,383
Unearned contract revenue		472	14,467	2,901	14,891
		11,125	21,503	38,349	28,899
Interest paid		(95)	(201)	(218)	(360)
Income tax paid		(4,827)	(2,088)	(6,605)	(5,161)
		6,203	19,214	31,526	23,378
<b>CASH FLOWS GENERATED FROM (USED IN)</b>					
<b>FINANCING ACTIVITIES</b>					
Issuance of common shares net of costs	17, 18	865	1,468	1,775	1,798
Dividends		(3,280)	(3,171)	(6,542)	(6,337)
Draw (repayment) on debt facility	16	(7,500)	25,396	(7,500)	25,396
Payment of lease obligations	10	(913)	(918)	(1,922)	(1,760)
		(10,828)	22,775	(14,189)	19,097
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Investments	11	-	-	(2,689)	-
Business acquisitions	23	(5,735)	(47,924)	(8,660)	(58,222)
Capitalized research and development	9	-	(36)	(86)	(150)
Equipment and application software	9	(1,931)	(1,993)	(2,645)	(3,323)
		(7,666)	(49,953)	(14,080)	(61,695)
<b>NET CASH (OUTFLOW) INFLOW</b>		<b>\$ (12,291)</b>	<b>\$ (7,964)</b>	<b>\$ 3,257</b>	<b>\$ (19,220)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		<b>58,194</b>	<b>67,355</b>	<b>42,646</b>	<b>78,611</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<b>\$ 45,903</b>	<b>\$ 59,391</b>	<b>\$ 45,903</b>	<b>\$ 59,391</b>

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

**CALIAN GROUP LTD.**  
**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three and six month periods ended March 31, 2023 and 2022**  
**(Canadian dollars in thousands, except per share amounts)**

**1. Basis of Preparation**

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

Statement of compliance

These unaudited interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies the Company adopted in its annual consolidated financial statements for the year ended September 30, 2022, and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended September 30, 2022. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on May 10, 2023.

**2. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

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.

There were no significant changes in estimates or approaches in the current period when compared to the estimates or approaches used to prepare the annual consolidated financial statements for the year ended September 30, 2022.

**3. 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 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.

#### 4. Cash and Cash Equivalents

The following table presents cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	\$ 14,912	1.00	\$ 14,912
USD	18,170	1.35	24,530
GBP	136	1.67	227
EUR	3,635	1.47	5,344
NOK	6,846	0.13	890
Total cash and cash equivalents March 31, 2023			\$ 45,903
CAD	\$ 16,719	1.00	\$ 16,719
USD	12,933	1.37	17,718
GBP	388	1.51	586
EUR	5,619	1.34	7,529
NOK	723	0.13	94
Total cash and cash equivalents September 30, 2022			\$ 42,646

#### 5. Accounts Receivable

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

	March 31, 2023	September 30, 2022
Trade and accounts receivable	\$ 159,470	\$ 168,614
Tax and Scientific Research and Development credit receivable	3,241	2,235
Other	1,534	864
	164,245	171,713
Loss Allowance	(50)	(260)
	\$ 164,195	\$ 171,453

Bad debt expense recognized in the three months ended March 31, 2023 (2022) is \$330 (\$123). Bad debt expense recognized in the six months ended March 31, 2023 (2022) is \$405 (\$210).

#### 6. Inventory

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

The following table presents inventories as at:

	March 31, 2023	September 30, 2022
Raw materials	\$ 16,993	\$ 12,187
Work in process inventory	3,202	2,717
Finished goods	3,471	3,739
	\$ 23,666	\$ 18,643

Inventory recognized as cost of revenues in the three months ended March 31, 2023 (2022) is \$11,292 (\$2,545). Inventory recognized as cost of revenues in the six months ended is \$20,145 (\$4,784). No inventory provisions have been recognized in periods ended March 31, 2023 (2022).



## 7. Prepaid Expenses

The following table presents prepaid expenses as at:

	March 31, 2023	September 30, 2022
Prepaid maintenance	\$ 17,878	\$ 18,924
Other prepaid expenses	7,025	4,856
	<u>\$ 24,903</u>	<u>\$ 23,780</u>

## 8. Contract Assets and Liabilities

The following table presents net contract liabilities as at:

	Net Contract Liabilities	
	March 31, 2023	September 30, 2022
Work in process	\$ 32,282	\$ 39,865
Unearned contract revenue	(49,111)	(46,210)
Net contract liabilities	<u>\$ (16,829)</u>	<u>\$ (6,345)</u>

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

	Changes in Net Contract Liabilities	
	March 31, 2023	September 30, 2022
Opening balance, October 1	\$ (6,345)	\$ 31,986
Net additions	40,230	84,000
Billings	(50,714)	(110,774)
Acquisitions (Note 23)	-	(11,557)
Ending balance	<u>\$ (16,829)</u>	<u>\$ (6,345)</u>

## 9. Equipment

A continuity of the equipment, application software and capitalized research and development for the six months ended March 31, 2023 is as follows:

	Cost			Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Total	Depreciation	Accumulated Depreciation	March 31, 2023	September 30, 2022
Leasehold improvements	\$ 4,382	\$ 10	\$ 4,392	\$ (231)	\$ (2,136)	\$ 2,256	\$ 2,477
Equipment	43,039	2,455	45,494	(3,000)	(31,769)	13,725	14,146
Total equipment	\$ 47,421	\$ 2,465	\$ 49,886	\$ (3,231)	\$ (33,905)	\$ 15,981	\$ 16,623
Application software	\$ 14,809	\$ 43	\$ 14,852	\$ (716)	\$ (5,129)	\$ 9,723	\$ 10,395
Capitalized research and development	\$ 5,052	\$ 86	\$ 5,138	\$ (602)	\$ (3,468)	\$ 1,670	\$ 2,186

## 10. Right-of-Use Assets and Lease Obligations

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

	Six months ended	
	March 31, 2023	March 31, 2022
Balance October 1	\$ 16,678	\$ 15,383
Additions	204	1,217
Disposals and foreign exchange adjustments	13	(177)
Depreciation	(2,022)	(1,701)
Acquisitions (Note 23)	-	2,705
Balance March 31	\$ 14,873	\$ 17,427

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:

	Six months ended	
	March 31, 2023	March 31, 2022
Balance at October 1	\$ 19,035	\$ 17,478
Additions	180	1,277
Disposals and foreign exchange adjustments	38	(177)
Principal payments	(1,922)	(1,760)
Acquisitions (Note 23)	-	2,739
Balance at March 31	\$ 17,331	\$ 19,557
Current	\$ 4,146	\$ 3,697
Non-current	13,185	15,860
Total	\$ 17,331	\$ 19,557

The following table presents the contractual undiscounted cash flows for lease obligations as at March 31, 2023:

	Total Undiscounted Lease Obligations
Less than one year	\$ 4,564
One to five years	9,791
More than five years	4,318
Total undiscounted lease obligations	\$ 18,673

Total cash outflow for leases in the three months ended March 31, 2023 (2022) was \$1,035 (\$1,024), including principal payments relating to lease obligations of \$913 (\$918), interest expense on lease obligations was \$122 (\$106). Total cash outflow for leases in the six months ended March 31, 2023 (2022) was \$2,155 (\$1,974), including principal payments relating to lease obligations of \$1,922 (\$1,760), interest expense on lease obligations was \$233 (\$214). Expenses relating to short-term leases recognized in general and administration expenses were \$41 (\$20) for the three months ended March 31, 2023 (2022) and \$96 (\$40) for the six months ended March 31, 2023 (2022).

## 11. Investments

Cliniconex Inc., is an Ottawa-based patient outreach solutions vendor. During the years of 2017 to 2020, the Company invested a total \$569 in common and preferred shares of the Company, representing a minority interest. 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 fiscal 2020.

During the three-month period ended December 31, 2022, the Company invested \$2,000 USD (\$2,689) to acquire a minority interest in preferred shares of Field Effect Software Inc. ("Field Effect"). Field Effect is Ottawa-based and provides cyber security solutions. The Company recognizes the investment at fair value.

## 12. Acquired Intangible Assets

A continuity of the acquired intangible assets for the six months ended March 31, 2023 is as follows:

	March 31, 2023			
	Opening Balance	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ (91)	\$ -	\$ 1,818
Customer relationships	39,689	(4,362)	(212)	35,115
Discrete contracts with customers & non-competition agreements	586	(164)	-	422
Technology and trademarks	14,903	(2,194)	-	12,709
	<u>\$ 57,087</u>	<u>\$ (6,811)</u>	<u>\$ (212)</u>	<u>\$ 50,064</u>

In the six months ended March 31, 2023 the Company recorded a foreign currency revaluation of intangible assets held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

A continuity of the acquired intangible assets for the year ended September 30, 2022 is as follows:

	September 30, 2022					
	Opening Balance	Additions (Note 23)	Amortization	Impairment (Note 23)	Foreign Exchange Revaluation	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ -	\$ -	\$ 1,909
Customer relationships	27,702	18,778	(7,889)	-	(1,098)	39,689
Discrete contracts with customers & non-competition agreements	717	231	(362)	-	-	586
Technology and trademarks	24,191	3,037	(5,827)	(6,477)	(21)	14,903
	<u>\$ 54,519</u>	<u>\$ 22,046</u>	<u>\$ (14,078)</u>	<u>\$ (6,477)</u>	<u>\$ (1,077)</u>	<u>\$ 57,087</u>

### 13. Goodwill

The following table presents the goodwill for the Company for the six months ended March 31, 2023:

	March 31, 2023	
Opening balance, October 1	\$	145,959
Adjustments:		
Foreign Exchange		56
Ending balance, March 31	\$	146,015

In the six months ended March 31, 2023 the Company recorded a foreign currency revaluation of goodwill held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

The following table presents the goodwill for the Company for the year ended September 30, 2022:

	September 30, 2022	
Opening balance, October 1	\$	100,103
Additions:		
Acquisition of SimFront (Note 23)		8,950
Acquisition of Computex (Note 23)		35,621
Adjustments:		
Foreign Exchange		1,285
Ending balance, September 30	\$	145,959

### 14. Accounts Payable and Accrued Liabilities

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

	March 31, 2023		September 30, 2022	
Trade accounts payable	\$	90,580	\$	91,652
Payroll accruals		20,225		21,960
Income tax payable		2,188		3,225
Other accruals		3,333		9,259
	\$	116,326	\$	126,096

### 15. Provisions

Changes in provisions for the six months ended March 31, 2023 were as follows:

	Product Warranties		Severance		Other		Total	
Balance at October 1, 2022	\$	897	\$	248	\$	104	\$	1,249
Additions		152		341		14		507
Utilization/Reversals		(253)		(311)		(30)		(594)
Balance at March 31, 2023	\$	796	\$	278	\$	88	\$	1,162

## 15. Provisions (continued)

Changes in provisions for the twelve months ended September 30, 2022 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2021	\$ 753	\$ 685	\$ 103	\$ 1,541
Additions	681	473	3	1,157
Utilization/Reversals	(537)	(910)	(2)	(1,449)
Balance at September 30, 2022	\$ 897	\$ 248	\$ 104	\$ 1,249

## 16. Debt Agreement

On January 6, 2021, the Company signed a debt facility that provides the Company with the ability to draw up to \$80,000 CAD. The agreement has a three-year term, which will mature on January 5, 2024. In the three months ended March 31, 2023, the company settled the liability. At March 31, 2023 (September 30, 2022), the Company utilized \$Nil (\$7,500) 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.

## 17. Issued Capital and Reserves

### Issued Capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per share at the meetings of holders of Common Shares and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. No Preferred Shares are outstanding as of the March 31, 2023.

Common share issued and outstanding:

	March 31, 2023		March 31, 2022	
	Shares	Amount	Shares	Amount
Balance October 1	11,607,391	\$ 213,277	11,285,828	\$ 194,960
Shares issued under employee share plans	46,525	1,958	41,160	1,743
Shares issued under employee share purchase plan	24,732	1,477	19,552	1,310
Shares issued through acquisition	47,876	2,844	-	-
Issued capital	11,726,524	\$ 219,556	11,346,540	\$ 198,013

Subsequent to the date of the statement of financial position, on May 10, 2023, the date of issuance of these consolidated financial statements, the Company declared a dividend of \$0.28 per common share payable on June 7, 2023.

### Contributed Surplus

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

## 18. Share-Based Compensation

### Employee Share Purchase Plan

Under the Company's 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 March 31, 2023, the Company can issue 389,940 shares.

During the three months ended March 31, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 13,928 (11,908) shares at an average price of \$63.47 (\$60.06) per share. The Company received \$707 (\$550) in proceeds and recorded an expense of \$138 (\$127). During the six months ended March 31, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 24,732 (19,552) shares at an average price of \$61.49 (\$60.20) per share. The Company received \$1,216 (\$920) in proceeds and recorded an expense of \$301 (\$262).

### 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% (1,055,387) 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 March 31, 2023, the Company has 437,008 stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 618,379 additional stock options pursuant to the plan.

The weighted average fair value of options granted during the six months ended March 31, 2023 was \$14.26 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 issuances and adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting.

The following assumptions were used to determine the fair value of the options granted in the six months ended March 31, 2023:

	Weighted Average Options Granted	
	March 31, 2023	March 31, 2022
Grant date share price	\$ 60.44	\$ 58.96
Exercise price	\$ 60.44	\$ 58.96
Expected price volatility	% 31.74	% 28.45
Expected option life	yrs 3.33	yrs 3.18
Expected dividend yield	% 1.85	% 1.98
Risk-free interest rate	% 3.66	% 1.19
Forfeiture rate	% 0	% 0

## 18. Share-Based Compensation (continued)

	March 31, 2023		March 31, 2022	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	220,800	\$ 52.22	204,913	\$ 49.46
Exercised	(19,000)	31.50	(20,759)	42.34
Granted	23,542	60.43	40,646	58.96
Outstanding March 31	225,342	\$ 54.82	224,800	\$ 51.83

The following share-based payment arrangements are in existence:

Option issuance:	Number of Options	Grant date	Expiry date	Exercise price	Fair value at grant date
(1) Issued November 19, 2018	27,500	November 19, 2018	November 19, 2023	\$ 29.55	\$ 3.96
(2) Issued November 25, 2019	15,000	November 25, 2019	November 25, 2024	\$ 36.49	\$ 5.18
(3) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	\$ 60.30	\$ 8.44
(4) Issued November 24, 2020	22,222	November 24, 2020	November 24, 2025	\$ 61.16	\$ 10.24
(5) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	\$ 60.35	\$ 9.92
(6) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	\$ 58.90	\$ 10.66
(7) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	\$ 60.55	\$ 10.33
(8) Issued November 24, 2022	22,356	November 24, 2022	November 24, 2027	\$ 60.43	\$ 14.26
(9) Issued February 15, 2023	1,186	February 15, 2023	February 15, 2028	\$ 60.44	\$ 14.20

For the options issued on November 24, 2022, vesting occurs through to November 24, 2024. For the options issued on February 15, 2023, vesting occurs through to February 15, 2025.

At March 31, 2023 (2022) the weighted average remaining contractual life of options outstanding is 2.34 (2.96) years of which 194,089 (156,205) options are exercisable at a weighted average price of \$53.99 (\$48.43). The Company has recorded \$104 (\$133) of share-based compensation expense in the three months ended and \$195 (\$241) in the six months ended March 31, 2023 (2022) related to the options that have been granted. At March 31, 2023 (2022) the Company has total unrecognized compensation expense of \$225 (\$325) that will be recorded in the next two fiscal years.

### Restricted Share Units:

Under the Company's 2016 Restricted Share Unit ("RSU") plan which expired on February 15, 2023, the Company was able to grant a 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.

Under the above RSU plan, the Company issued performance share units ("PSUs") which will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Vesting conditions for performance share units are tied to market metrics.

As of February 15, 2023 the Company does not have an active Restricted Share Unit Plan approved by shareholders.

## 18. Share-Based Compensation (continued)

The following table summarizes information about the RSUs as of March 31, 2023:

	March 31, 2023		March 31, 2022	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	56,517	\$ 49.40	40,824	\$ 46.65
Exercised	(27,525)	46.04	(20,401)	42.35
Forfeited	(5,958)	25.35	(482)	48.53
Granted	188,632	59.18	33,425	46.85
Balance at March 31	211,666	\$ 59.23	53,366	\$ 48.32

Of the units issued in the current year under the RSU plan, \$Nil has vested as of March 31, 2023. The Company has recorded \$421 (\$391) of share-based compensation expense in the three months and \$787 (\$651) in the six months ended March 31, 2023 (2022) related to the RSUs that have been granted. At March 31, 2023 (2022) the Company has total unrecognized compensation expense of \$1,826 (\$1,503) that will be recorded over the next two years.

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

RSU issuance:		Number of units	Grant date	Vest through	Fair value at grant date
(1) Issued November 24, 2020	RSU	5,559	November 24, 2020	November 15, 2023	\$ 59.35
(2) Issued February 9, 2021	RSU	81	February 9, 2021	November 15, 2023	\$ 59.74
(3) Issued May 12, 2021	RSU	194	May 12, 2021	November 15, 2023	\$ 56.32
(4) Issued August 10, 2021	RSU	16	August 10, 2021	November 15, 2023	\$ 63.25
(5) Issued November 24, 2021	RSU	14,564	November 24, 2021	November 15, 2024	\$ 58.90
(6) Issued Feb 9, 2022	RSU	53	February 9, 2022	November 15, 2024	\$ 57.18
(7) Issued May 10, 2022	RSU	1,673	May 10, 2022	November 15, 2024	\$ 67.34
(8) Issued Aug 10, 2022	RSU	331	August 10, 2022	November 15, 2024	\$ 66.60
(9) Issued September 14, 2022	RSU	647	September 14, 2022	November 15, 2024	\$ 56.10
(10) Issued November 24, 2022	RSU	30,048	November 24, 2022	November 15, 2025	\$ 59.18
	PSU	158,500	November 24, 2022	November 15, 2025	\$ 59.18

### Deferred Share Unit Plan

At March 31, 2023 (2022) the Company has 35,793 (17,640) Deferred Share Units ("DSU") outstanding, of which 18,582 (14,825) have vested, and the remainder will vest until March 2025. The Company recorded share-based compensation of \$200 (\$168) related to the DSUs in the three months ended and \$371 (\$295) in the six months ended March 31, 2023 (2022). Each DSU entitles the participant to receive the value of one Common Share at the time of vesting. Vesting of the share units are based on service intervals or held until termination of service.

There are 18,582 (14,825) DSUs outstanding at March 31, 2023 (2022). The fair value of the DSUs outstanding at March 31, 2023 (2022) was \$59.65 (\$63.73) per unit using the fair value of a Common Share at period end.



## 19. Revenue

The following table presents the revenue of the Company for the three and six months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Product revenue				
Advanced Technologies	\$ 28,508	\$ 24,148	\$ 46,882	\$ 51,768
Learning	1,544	765	2,684	765
ITCS	10,856	5,778	19,610	8,831
Total product revenue	\$ 40,908	\$ 30,691	\$ 69,176	\$ 61,364
Service revenue				
Advanced Technologies	\$ 18,291	\$ 15,414	\$ 34,184	\$ 28,961
Health	43,681	45,452	84,136	87,830
Learning	27,239	24,063	52,539	46,845
ITCS	38,424	26,482	76,051	46,604
Total service revenue	\$ 127,635	\$ 111,411	\$ 246,910	\$ 210,240
Total revenue	\$ 168,543	\$ 142,102	\$ 316,086	\$ 271,604

### 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 March 31, 2023 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	March 31, 2023
Less than 24 months	\$ 514,907
Thereafter	97,415
Total	\$ 612,322

## 20. Net Profit per Share

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

	Three months ended March 31		Six months ended March 31	
	2023	2022	2023	2022
Weighted average number of common shares – basic	11,705,770	11,325,786	11,667,937	11,312,537
Additions to reflect the dilutive effect of employee stock options and RSUs	48,641	62,203	53,964	60,527
Weighted average number of common shares – diluted	11,754,411	11,387,989	11,721,901	11,373,064

## 20. Net Profit per Share (continued)

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted net profit per share. For the three months ended March 31, 2023 (2022), 22,356 (159,300) options and Nil (79) RSUs were excluded from the above computation. For the six months ended March 31, 2023 (2022), 22,356 (159,300) options and 30,048 (23,903) RSUs were excluded from the above computation.

## 21. Segmented Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer ("CEO"). The Company's segments are categorized as follows: Advanced Technologies, Health, Learning, and IT and Cyber Solutions ("ITCS"). 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 undernoted items.

For the three months ended March 31, 2023:

For the three months ended March 31, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 46,799	\$ 43,681	\$ 28,783	\$ 49,280	\$ -	168,543
<b>Cost of revenues</b>	33,091	33,094	20,552	29,715	-	116,452
<b>Gross profit</b>	13,708	10,587	8,231	19,565	-	52,091
<b>Gross profit %</b>	29 %	24 %	29 %	40 %	N/A %	31 %
Selling and marketing	2,907	542	441	6,709	1,232	11,831
General and administration	3,339	2,786	1,310	5,609	7,449	20,493
Research and development	1,809	74	1,039	-	-	2,922
<b>Profit before under noted items \$</b>	<b>5,653</b>	<b>7,185</b>	<b>5,441</b>	<b>7,247</b>	<b>(8,681)</b>	<b>16,845</b>
Profit before under noted items %	12 %	16 %	19 %	15 %	N/A %	10 %
Depreciation of equipment, application software and R&D						2,252
Depreciation of right of use asset						1,015
Amortization of acquired intangibles						3,450
Deemed compensation						50
Changes in fair value related to contingent earn-out						2,562
<b>Profit before interest income and income tax expense</b>						<b>7,516</b>
Lease interest expense						122
Interest expense						(27)
<b>Profit before income tax expense</b>						<b>7,421</b>
Income tax expense – current						3,501
Income tax recovery – deferred						(597)
Total income tax expense						2,904
<b>NET PROFIT FOR THE PERIOD</b>						<b>\$ 4,517</b>

## 21. Segmented Information (continued)

For the three months ended March 31, 2022:

For the three months ended March 31, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 39,562	\$ 45,452	\$ 24,828	\$ 32,260	\$ -	142,102
<b>Cost of revenues</b>	28,363	34,110	18,016	21,694	-	102,183
<b>Gross profit</b>	11,199	11,342	6,812	10,566	-	39,919
<b>Gross profit %</b>	28 %	25 %	27 %	33 %	N/A %	28 %
Selling and marketing	1,938	601	259	1,639	905	5,342
General and administration	2,640	2,619	1,188	3,495	6,684	16,626
Research and development	1,113	97	-	(26)	-	1,184
<b>Profit before under noted items \$</b>	<b>5,508</b>	<b>8,025</b>	<b>5,365</b>	<b>5,458</b>	<b>(7,589)</b>	<b>16,767</b>
Profit before under noted items %	14 %	18 %	22 %	17 %	N/A %	12 %
Depreciation of equipment, application software and R&D						1,302
Depreciation of right of use asset						878
Amortization of acquired intangibles						10,128
Deemed compensation						247
Changes in fair value related to contingent earn-out						1,619
<b>Profit before interest income and income tax expense</b>						<b>2,593</b>
Lease interest expense						106
Interest expense						95
<b>Profit before income tax expense</b>						<b>2,392</b>
Income tax expense – current						3,511
Income tax recovery – deferred						(2,386)
<b>Total income tax expense</b>						<b>1,125</b>
<b>NET PROFIT FOR THE PERIOD</b>						<b>\$ 1,267</b>

## 21. Segmented Information (continued)

For the six months ended March 31, 2023:

For the six months ended March 31, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 81,066	\$ 84,136	\$ 55,223	\$ 95,661	\$ -	\$ 316,086
<b>Cost of revenues</b>	55,491	63,993	40,427	58,865	-	218,776
<b>Gross profit</b>	25,575	20,143	14,796	36,796	-	97,310
<b>Gross profit %</b>	32 %	24 %	27 %	38 %	N/A %	31 %
Selling and marketing	5,849	1,002	990	12,556	2,577	22,974
General and administration	6,021	5,345	2,742	9,721	14,064	37,893
Research and development	3,625	161	1,445	112	-	5,343
<b>Profit before under noted items</b>	\$ 10,080	\$ 13,635	\$ 9,619	\$ 14,407	\$ (16,641)	\$ 31,100
<b>Profit before under noted items %</b>	12 %	16 %	17 %	15 %	N/A %	10 %
Depreciation of equipment, application software and R&D						4,549
Depreciation of right of use asset						2,022
Amortization of acquired intangibles						6,811
Deemed compensation						147
Changes in fair value related to contingent earn-out						3,304
<b>Profit before interest income and income tax expense</b>						14,267
Lease obligations interest expense						233
Interest expense						(15)
<b>Profit before income tax expense</b>						14,049
Income tax expense – current						6,213
Income tax recovery – deferred						(1,257)
Total income tax expense						4,956
<b>NET PROFIT FOR THE PERIOD</b>						\$ 9,093

## 21. Segmented Information (continued)

For the six months ended March 31, 2022:

For the six months ended March 31, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 80,729	\$ 87,830	\$ 47,610	\$ 55,435	\$ -	\$ 271,604
<b>Cost of revenues</b>	58,796	65,440	35,065	38,730	-	198,031
<b>Gross profit</b>	21,933	22,390	12,545	16,705	-	73,573
<b>Gross profit %</b>	27 %	25 %	26 %	30 %	N/A %	27 %
Selling and marketing	3,974	1,186	593	2,425	1,718	9,896
General and administration	4,855	5,043	2,305	4,990	13,217	30,410
Research and Development	2,231	190	-	117	-	2,538
<b>Profit before under noted items</b>	\$ 10,873	\$ 15,971	\$ 9,647	\$ 9,173	\$ (14,935)	\$ 30,729
<b>Profit before under noted items %</b>	13 %	18 %	20 %	17 %	N/A %	11 %
Depreciation of equipment, application software and R&D						2,429
Depreciation of right of use asset						1,701
Amortization of acquired intangibles						13,720
Deemed compensation						1,000
Changes in fair value related to contingent earn-out						2,615
<b>Profit before interest income and income tax expense</b>						9,264
Lease obligations interest expense						214
Interest expense						146
<b>Profit before income tax expense</b>						8,904
Income tax expense – current						6,485
Income tax recovery – deferred						(3,154)
Total income tax expense						3,331
<b>NET PROFIT FOR THE PERIOD</b>						\$ 5,573

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the six months ended March 31, 2023 (2022) are attributed as follows:

	March 31, 2023	March 31, 2022
Canada	71 %	78 %
United States	19 %	9 %
Europe	9 %	12 %
Other	1 %	1 %

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 six months ended March 31, 2023 (2022) represented 49% (52%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

## **22. Financial Instruments and Risk Management**

### **Capital Risk Management**

The Company's objective is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income relating to cash flow hedges. The Company uses both debt and equity 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 its foreign currency exposures within entities operating in currencies outside of their functional currencies. The Company's objective is to manage and control exposure and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge its foreign currency exposure where it is most practical to do so. The Company hedges long term projects in foreign currencies. Other foreign currency exposure is evaluated on an individual basis to assess the associated risks and costs to hedge. 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 US subsidiary is the US Dollar ("USD"), the functional currency of its German subsidiary is the European Euro ("EUR"), the functional currency of its Norwegian subsidiary is the Norwegian Krone ("NOK"), and the functional currency of its U.K. based subsidiary is the Pound sterling ("GBP"). 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

## 22. Financial Instruments and Risk Management (continued)

which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Company's US operations, German operations, Norwegian operations, and U.K. operations are first expressed in the Companies' USD, EUR, NOK and GBP 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 March 31, 2023, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value March 31, 2023
BUY	\$ 13,076	USD	April 2023	\$ 17,666	\$ -
SELL	4,386	EURO	April 2023	6,436	25
Derivative assets					\$ 25
SELL	\$ 63,562	USD	April 2023	\$ 85,873	\$ (1)
BUY	9,351	EURO	April 2023	13,721	(53)
Derivative liabilities					\$ (54)

A 10% strengthening of the Canadian dollar against the following currencies at March 31, 2023 would have decreased other comprehensive income as related to the forward foreign exchange contracts or subsidiaries operating outside of the Company's presentation currency by the amounts shown below.

	March 31, 2023
USD	\$ (5,387)
EURO	207
GBP	61
NOK	188
Total	\$ (4,931)

## 22. Financial Instruments and Risk Management (continued)

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 or subsidiaries operating outside of the Company's presentation currency would have increased Net Profit (a 10% weakening against the Canadian dollar would have had the opposite effect) by the amounts shown below.

	March 31, 2023	
USD	\$	2,695
GBP		(6)
EURO		689
SEK		20
NOK		29
AUD		(5)
<b>Total</b>	<b>\$</b>	<b>3,422</b>

### 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 diverse, however a significant portion of them are federal or provincial government agencies, or large private entities. A significant portion of the Company's accounts receivable is from long-time customers. At March 31, 2023 (2022), 38% (35%) 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 incurred any significant credit related losses.

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

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

	March 31, 2023	September 30, 2022
Cash and cash equivalents	\$ 45,903	\$ 42,646
Accounts receivable	164,195	171,453
Derivative assets	25	123
<b>Total</b>	<b>\$ 210,123</b>	<b>\$ 214,222</b>

The aging of accounts receivable at the reporting date was:

	March 31, 2023	September 30, 2022
Current	\$ 156,160	\$ 159,412
Past due (61-120 days)	4,412	6,378
Past due (> 120 days)	3,623	5,663
<b>Total</b>	<b>\$ 164,195</b>	<b>\$ 171,453</b>



## 22. Financial Instruments and Risk Management (continued)

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At March 31, 2023, the company has a secured debt facility that matures on January 5, 2024 that allows the Company to draw up to \$80,000 CAD. As at March 31, 2023, the Company had \$45,903 cash on hand and \$Nil was drawn on the facility for current operations and for temporary use through acquisitions, 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 approximate 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 March 31, 2023 and represents the difference between the hedge rate and the exchange rate at the end of the reporting period.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	March 31, 2023		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 45,903	\$ -	\$ -
Investments	-	-	3,359
Derivative assets	-	25	-
Contingent earn-out	-	-	(21,830)
Derivative liabilities	-	(54)	-
<b>Total</b>	<b>\$ 45,903</b>	<b>\$ (29)</b>	<b>\$ (18,471)</b>

	September 30, 2022		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 42,646	\$ -	\$ -
Investments	-	-	670
Derivative assets	-	123	-
Debt facility	-	(7,500)	-
Contingent earn-out	-	-	(28,550)
Derivative liabilities	-	(812)	-
<b>Total</b>	<b>\$ 42,646</b>	<b>\$ (8,189)</b>	<b>\$ (27,880)</b>

There were no transfers between Level 1, Level 2 and level 3 during the three months ended March 31, 2023.

### **23. Acquisitions**

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

On January 30, 2020, the Company acquired all 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 initial accounting of the purchase price. Alio/Allphase provides clinical trial services, specialty medication support and community care and other services and is reported as a 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 \$3,616, \$4,192 and \$4,192 if Alio/Allphase attains specified levels of EBITDA for the years ending January 30, 2021, 2022, 2023, respectively. A portion of the first and second year earn out payable amounts is subject to the retention of the principal shareholders for a period of two years from the date of acquisition. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration of the purchase price and was expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period. The Company recorded deemed compensation expense of \$Nil (\$1,000) for the six-months ended March 31, 2023 (2022). In the 2021 fiscal year, the Company paid \$3,616 based on achievement of the first year EBITDA under the agreement. The second year concluded with full payment of \$4,192 in the year ended September 30, 2022 with full achievement of earn out target. It was forecasted in the prior fiscal year that the third and final year of earn out would be lower than the target amount, leading to a lower amount payable from the Company. As the earn out closed, achievement was higher than anticipated, which resulted in an adjustment to the contingent earn out payable in the amount of \$2,272 recognized in changes in fair value of contingent earn out in the three-month period ended March 31, 2023.

The Company recognized an additional \$60 of expense in the six-months ended March 31, 2023, related to changes in fair value of contingent earn out.

#### Tallysman Wireless Inc. ("Tallysman")

On September 3, 2020, the Company acquired all the outstanding shares of Tallysman for a purchase price of up to \$25,354. Of this amount, \$16,654 was paid in cash on the date of closing, 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, marine and many more. Tallysman 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.

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 August 31, 2021 and December 31, 2022, respectively. The first year target was achieved and paid in the fiscal year 2022.

The second year target was achieved in full as at December 31, 2022, with overachievement. This has resulted in additional bonus to key individuals involved in the business in the amount of \$100 recognized in deemed compensation in the six-months ended March 31, 2023, with an additional \$763 recognized in fiscal 2022. The Company also recognized \$102 in the six-months ended March 31, 2023, related to changes in fair value of contingent earn out. All amounts are settled and paid as at March 31, 2023.

### **23. Acquisitions (continued)**

#### Cadence Consultancy Limited (“Cadence”)

On October 30, 2020, the Company acquired the outstanding shares of Cadence for total cash consideration of up to 2,000 Pound Sterling (\$3,518 CAD) of which, £1,100 (\$1,966 CAD) was paid on closing, and £900 (\$1,552 CAD) is payable contingently. Cadence is a UK based training firm with operations across the 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 is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Cadence an additional \$776 and \$776 if Cadence attains specific levels of EBITDA for the years ending October 31, 2021 and October 31, 2022, respectively. In the year ended September 30, 2022 the Company paid \$776 relating to the year one contingent earn out which represented full achievement of targets. At September 30, 2022, it was deemed that the year 2 earn out amount was not to be achieved and was written off through the consolidated statement of net profit at that point. In the period ended December 31, 2022, the Company amended the earn out agreement with Cadence to pay a portion of the year 2 earn out amount in order to retain key management members subsequent to the earn out period. This has resulted in payment of £100 (\$165 CAD) which was recognized in changes in fair value related to contingent earn-out in the six-month periods ended March 31, 2023. Additionally, \$47 was recognized as deemed compensation in the six-months ended March 31, 2023 relating to special bonus amounts for key management members earned in the period that were set as part of the share purchase agreement. All amounts are settled and paid as at March 31, 2023.

#### Dapasoft Inc. (“Dapasoft”)

On February 22, 2021, the Company acquired all the outstanding shares of Dapasoft for a purchase price of up to \$78,709. Of this amount, \$39,209 was paid in cash on the date of closing, \$2,500 was placed in escrow, \$5,000 was paid through the issuance of common shares, \$2,000 of common shares are to be issued upon expiry of escrow on February 22, 2022 and \$30,000 is payable contingently of which \$11,605 was included in the purchase price. Dapasoft is a provider of innovative systems integration, cloud lifecycle management and cybersecurity solutions, which enable clients to securely implement digital transformation initiatives. Dapasoft is reported as part of the ITCS operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Dapasoft an additional \$17,500 and \$12,500 if Dapasoft attains specific levels of EBITDA for the years ending February 28, 2022 and February 28, 2023, respectively. A portion of the earn out is payable through issuance of common shares of the Company. In the year ended September 30, 2022, the Company concluded on the year one earn out with full achievement. Settlement of the year one earn out resulted in cash payment of \$2,861, of which \$2,000 was related to earn out payments, and the additional \$861 was recognized in September 30, 2022 in changes in fair value related to contingent earn out, whereby the Company had agreed to a payment structure in the initial agreement where if Dapasoft was able to maintain low levels of working capital for the first year after acquisition, that the selling group would be entitled to additional achievement payments. Further, common shares in the amount of \$14,048 were issued in relation to the payment of the year one earn out in the fiscal year ended September 30, 2022. An additional amount of \$1,511 was issued in the form of common shares to settle the remaining balance of the first year contingent consideration amount in the three-month period ended March 31, 2023. Overachievement bonus amounts were expensed in the 2022 fiscal year resulting in additional amounts owing of \$2,175 to be paid in the remainder of the 2023 fiscal year. At March 31, 2023, the second year earn out has concluded and the full achievement of target is likely to be met. The balance will be settled and paid in the remainder of the 2023 fiscal year.

The Company recognized \$429 in the six-months ended March 31, 2023, related to changes in fair value of contingent earn out.

### 23. Acquisitions (continued)

#### SimFront Simulation Systems Corporation ("SimFront")

On October 7, 2021, the Company acquired the outstanding shares of SimFront, for total cash consideration of up to \$15,625 of which, \$9,646 was paid on closing, and \$6,000 is payable contingently. SimFront will enable Calian to provide end-to-end military training and simulation capabilities and pursue new opportunities with customers seeking integration and immersive training support. SimFront integration and augmented/virtual/mixed reality solutions elevate Calian capabilities in this area. SimFront is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of SimFront an additional \$2,760 and \$3,240 if SimFront attains specific levels of EBITDA for the years ended September 30, 2022 and September 30, 2023, respectively. In the three-months ended December 31, 2022 the Company settled and paid the year one earn out in the amount of \$2,760.

The Company recognized \$276 in the six-months ended March 31, 2023 related to changes in fair value of contingent earn out.

### 24. Contingent Earn-Out

The following shows the contingent consideration activity for the six months ended March 31, 2023:

Company Acquired	Beginning balance	Acquisition Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	\$ 1,860	\$ -	\$ -	\$ 2,272	\$ 4,192
Tallysman Wireless	5,411	-	(5,613)	100	-
Cadence	75	-	(287)	47	-
Dapasoft	15,758	-	(1,511)	-	14,676
SimFront	5,446	-	(2,760)	-	2,962
<b>Total</b>	<b>\$ 28,550</b>	<b>\$ -</b>	<b>\$ (10,171)</b>	<b>\$ 2,419</b>	<b>\$ 21,830</b>

As at March 31, 2023, the total gross value of all contingent consideration outstanding is \$22,107. Included in the adjustments column in the table are amounts from deemed compensation, along with changes in estimated payment amounts to make under contingent earn out estimates.

The following shows the contingent consideration activity for the year ended September 30, 2022:

Company Acquired	Beginning balance	Acquisition Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	\$ 6,941	\$ -	\$ (4,192)	\$ (1,361)	\$ 1,860
Comprehensive Training Solutions	749	-	(1,102)	301	-
Tallysman Wireless	8,104	-	(4,142)	956	5,411
Cadence	1,417	-	(776)	(660)	75
InterTronic	3,228	-	-	(3,443)	-
Dapasoft	17,823	-	(14,283)	11,045	15,758
SimFront	-	4,914	-	-	5,446
<b>Total</b>	<b>\$ 38,262</b>	<b>\$ 4,914</b>	<b>\$ (24,495)</b>	<b>\$ 6,838</b>	<b>\$ 28,550</b>

## **25. Related Party Transactions**

During the three months ended March 31, 2023 (2022), the Company had sales of \$458 (\$84) to GrainX, in which Calian holds a non-controlling equity investment. For the six months ended March 31, 2023 (2022), the Company had sales of \$610 (\$141) to GrainX. At At March 31, 2023 (2022), the Company had an accounts receivable balance with GrainX of \$450 (\$72) 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.

## **26. Subsequent Events**

On March 9, 2023, the Company entered into a definitive agreement to acquire the assets of Hawaii Pacific Teleport (HPT) a US-based provider of independent teleport and satellite communications solutions, for total cash consideration of \$46,000 USD (approximately \$62,000 CAD) and contains earnouts of up to \$11,000 USD (approximately \$15,000 CAD) based on the achievement of certain levels of EBITDA performance over the 24 months subsequent to the close date of the acquisition. The completion of this transaction is subject to regulatory approvals and other customary closing conditions, and the Company anticipates the transaction to take place in the second half of the 2023 fiscal year. HPT will be reported as part of the Advanced Technologies operating segment.