Audited Annual Consolidated Financial Statements

For the year ended September 30, 2021

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Calian Group Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and 2020, and the consolidated statements of net profit, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue - Advanced Technologies fixed price uncompleted contracts - Refer to Notes 2, 3, 20 to the financial statements

Key Audit Matter Description

The Company recognizes revenue on Advanced Technologies fixed price contracts over time using the input method using management's best estimate of the costs and related risks associated with completing the contracts. The accounting for fixed price contracts that are not complete at the reporting date ("fixed price uncompleted contracts") involves judgment, particularly as it relates to estimating total anticipated costs at completion. Total anticipated costs at completion includes both incurred costs to date as well as anticipated costs to complete which could include contingencies and reserves. These costs are impacted by a variety of factors including labour, productivity, subcontractors and materials. Given the length of fixed price contracts, these assumptions could change over time, as the contract is completed.

Given the significant judgments necessary and complexity to account for the fixed price uncompleted contracts, auditing the costs to complete required a high degree of auditor attention and an increased audit effort when performing audit procedures and evaluating the results of those procedures.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the costs to complete for fixed price uncompleted contracts included the following, among others:

- Evaluated management's ability to estimate costs by comparing actual costs to management's historical estimates for contracts that have been completed.
- For a selection of fixed price uncompleted contracts we:
    - o Obtained and inspected the executed contract agreements;

  - o Conducted inquiries with management and project personnel to gain an understanding of the status of project activities, including any changes to the initial plan
  - o Compared the estimates to management's work plans, engineering specifications, supplier contracts or communications with customers, as applicable;
  - o Tested the key components of the costs to complete estimates, including materials, labor, and subcontractor costs and estimated project contingencies for a sample of new contracts at initiation;
  - o Compared management's estimated margins to those of similar contracts, when applicable;
  - o Compared costs incurred to date to the initial costs to complete estimate;
  - o Compared costs at complete estimates at the end of the fiscal year to the initial estimates at the inception of the contract, and to prior year estimates for ongoing contracts, in order to assess the appropriateness of costs to complete estimates based on current status of the project.

Acquisitions- Intangible Assets and Contingent Consideration– Refer to Notes 2, 3 and 25 to the financial statements

Key Audit Matter Description

The Company acquired 100% of the equity of Dapasoft Inc. and InterTronic Solutions Inc. ("InterTronic") and recognized the assets acquired and the liabilities assumed at fair value, including intangible assets for customer relationships, technology and trademarks ("intangible assets"). The transactions include contingent consideration arrangements ("contingent earn-out") which are based on the acquired entity attaining specified levels of EBITDA for future years. The InterTronic transaction also includes an earn-out contingent on the achievement of a certain level of contracts signed within a specified time period. In determining the fair value of the contingent earn-out and intangible assets, management was required to make assumptions around 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.

While there are several estimates and assumptions that are required to determine the fair value of contingent earn-out and intangible assets, the estimates and assumptions with the highest degree of subjectivity are forecasted future revenues and EBITDA margins, the ability to achieve a certain level of

contracts signed within a specified time period, and discount rates. This required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the assumptions used to determine the fair value of the contingent earn-out and intangible assets included the following, among others:

- Evaluated the reasonableness of forecasted future revenues and EBITDA margins by comparing the forecasts to:
  - o Historical results of the acquired entities;
  - o Actual results of the acquired entities post acquisition to assess estimation accuracy;
  - o Underlying management analyses detailing growth plans;
  - o Industry and peer data, as applicable.
- Evaluated the reasonableness of the ability to achieve a certain level of contracts signed in a specified time period by comparing estimates to:
  - o Historical results related to similar contract bids;
  - o Underlying management project proposal detailing expected contract achievement plans;
  - o Inquiries with acquired entity personnel on their contract execution strategy;
  - o Actual contract execution progress post-acquisition.

- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management.

Other Information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern. • Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Ottawa, Canada
November 24, 2021

Calian Group Ltd. Consolidated Statements of Financial Position

As at September 30, 2021 and 2020
(Canadian dollars in thousands, except per share data)

	NOTES	September 30, 2021	September 30, 2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	$ 78,611	$ 24,235
Accounts receivable	6	111,138	81,109
Work in process	9	55,307	84,132
Inventory	7	6,617	6,095
Prepaid expenses	8	9,891	6,707
Derivative assets	24	610	358
Total current assets		262,174	202,636
NON-CURRENT ASSETS			
Capitalized research and development	10	3,217	3,924
Equipment	10	12,411	11,655
Application software	10	8,015	3,092
Right of use asset	11	15,383	17,595
Investments	12	670	670
Acquired intangible assets	13	54,519	36,191
Deferred tax asset	22	1,477	-
Goodwill	14	100,103	55,290
Total non-current assets		195,795	128,417
TOTAL ASSETS		$ 457,969	$ 331,053
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	15	68,093	72,007
Contingent earn-out	26	25,038	3,251
Provisions	16	1,541	1,038
Unearned contract revenue	9	23,321	13,435
Derivative liabilities	24	158	152
Lease obligations	11	3,029	2,790
Total current liabilities		121,180	92,673
NON-CURRENT LIABILITIES			
Lease obligations	11	14,449	16,800
Contingent earn-out	26	13,224	11,913
Deferred tax liabilities	22	16,756	9,261
Total non-current liabilities		44,429	37,974
TOTAL LIABILITIES		165,609	130,647
SHAREHOLDERS' EQUITY			
Issued capital	18	194,960	107,931
Contributed surplus		5,224	2,002
Retained earnings		91,359	92,030
Accumulated other comprehensive income (loss)		817	(1,557)
TOTAL SHAREHOLDERS' EQUITY		292,360	200,406
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 457,969	$ 331,053
Number of common shares issued and outstanding	18	11,285,828	9,760,032

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

Approved by the Board on November 24, 2021:

George Weber
Chairman

Ray Basler
Director

Calian Group Ltd. Consolidated Statements of Net Profit

For the years ended September 30, 2021 and 2020
(Canadian dollars in thousands, except per share data)

	NOTES	Year ended September 30, 2021	2020
Revenue			
Advanced Technologies		$ 166,591	$ 153,382
Health		194,936	163,035
Learning		74,622	57,834
ITCS		82,255	58,069
Total Revenue	20	**518,404**	**432,320**
Cost of revenues		391,667	343,164
Gross profit		**126,737**	**89,156**
Selling and marketing		16,334	12,336
General and administration		53,454	38,012
Research and development		5,020	1,998
Profit before under noted items		**51,929**	**36,810**
Depreciation of equipment, application software and research and development	10	4,285	2,976
Depreciation of right of use asset	11	3,054	2,771
Amortization of acquired intangible assets	13	11,731	5,166
Other changes in fair value		-	(101)
Deemed compensation	25, 26	4,006	-
Changes in fair value related to contingent earn-out	26	10,336	(1,882)
Profit before interest and income tax expense		**18,517**	**27,880**
Lease obligations interest expense	11	450	475
Interest expense (income)		360	185
Profit before income tax expense		**17,707**	**27,220**
Income tax expense – current		8,399	8,171
Income tax expense (recovery) – deferred		(1,847)	(1,311)
Total income tax expense	22	6,552	6,860
NET PROFIT		**$ 11,155**	**$ 20,360**
Net profit per share:			
Basic	21	$ 1.08	$ 2.25
Diluted	21	$ 1.07	$ 2.23

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, 2021 and 2020
(Canadian dollars in thousands)

	Year ended September 30,	
	2021	2020
NET PROFIT	$ 11,155	$ 20,360
Items that will be reclassified subsequently to net profit		
Cumulative translation adjustment	(243)	238
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of $995 (2020 $335)	2,617	(929)
Other comprehensive income (loss), net of tax	2,374	(691)
COMPREHENSIVE INCOME	**$ 13,529**	**$ 19,669**

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, 2021 and 2020
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2020		**$ 107,931**	**$ 2,002**	**$ 92,030**	**$ (1,557)**	**$ 200,406**
Net profit and comprehensive income		-	-	11,155	2,374	13,529
Dividend paid ($1.12 per share)		-	-	(11,826)	-	(11,826)
Shares issued under employee share plans	18	3,064	(1,340)	-	-	1,724
Shares issued through acquisition	18	5,000	-	-	-	5,000
Shares issued under public offering net of issuance costs	18	76,991	-	-	-	76,991
Contingent earn-out	26	-	2,627			2,627
Shares issued under employee stock purchase plan	18	1,974	-	-	-	1,974
Share-based compensation expense	19	-	1,935	-	-	1,935
Balance September 30, 2021		**$ 194,960**	**$ 5,224**	**$ 91,359**	**$ 817**	**$ 292,360**

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2019		**$ 32,515**	**$ 1,817**	**$ 81,608**	**$ (866)**	**$ 115,074**
Comprehensive income		-	-	20,360	(691)	19,669
Dividend paid ($1.12 per share)		-	-	(9,938)	-	(9,938)
Shares issued under employee share plans	18	5,323	(978)	-	-	4,345
Shares issued through acquisition	18	2,500	-	-	-	2,500
Shares issued under public offering net of issuance costs	18	65,847	-	-	-	65,847
Shares issued under employee stock purchase plan	18	1,746	-	-	-	1,746
Share based compensation expense	19	-	1,163	-	-	1,163
Balance September 30, 2020		**$ 107,931**	**$ 2,002**	**$ 92,030**	**$ (1,557)**	**$ 200,406**

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, 2021 and 2020
(Canadian dollars in thousands)

	NOTES	Year ended September 30, 2021	2020
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Net profit		$ 11,155	$ 20,360
Items not affecting cash:			
Interest expense (income)		360	185
Changes in fair value related to contingent earn-out	26	10,336	(1,882)
Lease obligations interest expense	11	450	475
Income tax expense	22	6,552	6,860
Employee share purchase plan expense	19	399	199
Share based compensation expense	19	1,935	1,163
Depreciation and amortization	10, 13	19,070	10,913
Deemed compensation	25, 26	4,006	-
Other changes in fair value		-	(101)
		54,263	38,172
Change in non-cash working capital			
Accounts receivable		(24,114)	(11,676)
Work in process		30,934	(44,911)
Prepaid expenses		(2,752)	(1,271)
Inventory		(446)	(328)
Accounts payable and accrued liabilities		(6,381)	17,251
Unearned contract revenue		6,781	4,501
		58,285	1,738
Interest received (paid)		(810)	(678)
Income tax recovered (paid)		(10,933)	(3,813)
		46,542	(2,753)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
Issuance of common shares net of costs	18, 19	79,299	70,488
Dividends		(11,826)	(9,938)
Draw (repayment) on line of credit	17	-	(13,000)
Payment of lease obligations		(3,033)	(2,508)
		64,440	45,042
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments and loan receivable	12	-	(100)
Business acquisitions	25	(48,757)	(29,288)
Capitalized research and development	10	(430)	(1,227)
Equipment and application software	10	(7,419)	(4,574)
		(56,606)	(35,189)
NET CASH (OUTFLOW) INFLOW		$ 54,376	$ 7,100
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		24,235	17,135
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 78,611	$ 24,235

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 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, 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, 2021. 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, 2021.

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, Tallysman Wireless Inc. ("Tallysman") located in Ottawa, Ontario, Cadence Consultancy Limited ("Cadence") located in London, England, InterTronic Solutions Inc. ("InterTronic") located in Vaudreuil-Dorion, Quebec and Dapasoft Inc. ("Dapasoft") located in Toronto, 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, COVID-19 response services 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 and cyber security monitoring

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 software
- Manufacturing and installation of large satellite antennae ground systems
- Licensing of cyber product solutions

(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 fixed price contracts, the customer controls the work in process as evidenced by the right to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use to the Company. Based on the nature of these contractual arrangements, control is transferred over time and revenue is recognized over time.

For each performance obligation satisfied over time, the Company will recognize revenue by measuring progress toward complete satisfaction of that performance obligation using the input method. In this way, the Company recognizes revenue in a pattern that reflects the transfer of control of the promised goods or services to the customer. Fixed price contracts are recognized using the input method with reference to costs incurred. 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

2. Summary of Significant Accounting Policies (continued)

agreed upon. This is subsequently accounted for at the agreed upon price on renewal. Consequently, the option to extend the renewal period does not provide customers with any advantage when they enter into the initial contract and therefore no revenue has been deferred relating to this renewal option.

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

If estimated total costs on any contract, including any inefficient costs, are greater than the net contract revenues, IFRS15, 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.

2. Summary of Significant Accounting Policies (continued)

Capitalized Research and Development ("R&D")

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

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

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

Capitalized R&D is measured at cost and depreciated 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.

2. Summary of Significant Accounting Policies (continued)

Acquired intangible assets

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

- Customer relationship Primacy: indefinite
- Other customer relationships: 3 to 14 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.

Impairment of equipment, application software and intangible assets

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

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

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

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 23.

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

2. Summary of Significant Accounting Policies (continued)

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, 2021 and 2020, management assessed the recoverable amount of goodwill and concluded that a goodwill impairment charge was not required.

For the years ended September 30, 2021 and 2020, various assumptions were taken to arrive at estimated values per segment, including discount rates in the range of 7% to 12% and a growth rate assumption of 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.

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

2. Summary of Significant Accounting Policies (continued)

in net profit in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currencies (see note below for hedging policy).

The functional currency of the parent company and its subsidiaries is the Canadian dollar, except for SatService which is in Euro, CTS which is in Norwegian Krone, and Cadence which is in Pound Sterling.

Financial instruments

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

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

Financial assets

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

The Company's financial assets are classified as follows:

Cash	Amortized cost
Accounts receivable	Amortized cost
Investment and loan receivable	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.

2. Summary of Significant Accounting Policies (continued)

Financial liabilities

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

Line of credit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Contingent earn-out	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.

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.

2. Summary of Significant Accounting Policies (continued)

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

3. 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

The Company enters into 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.

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

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.

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 judgmental. 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.

(Canadian dollars in thousands, except per share amounts)

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

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.

4. Seasonality

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company's revenues and earnings have historically been subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry specific seasonal cycles and the timing and delivery of milestones for significant projects.

5. Cash and Cash Equivalents

The following table presents cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	$ 57,281	1.00	$ 57,281
USD	10,463	1.27	13,288
GBP	237	1.71	406
EUR	4,256	1.48	6,299
CHF	295	1.37	404
NOK	6,220	0.15	933
Total cash and cash equivalents September 30, 2021			$ 78,611
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

(Canadian dollars in thousands, except per share amounts)

6. Accounts Receivable

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

	September 30, 2021	September 30, 2020
Trade and accounts receivable	$ 106,312	$ 78,788
Tax and Scientific Research and Development receivable	2,753	1,563
Other	2,118	803
	111,183	81,154
Loss Allowance	(45)	(45)
	$ 111,138	$ 81,109

Bad debt expense recognized in the year ended September 30, 2021 (2020) is $510 (NIL). Bad debt recovery recognized in the year ended September 30, 2021 (2020) is NIL ($2).

7. Inventory

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

The following table presents inventories as at:

	September 30, 2021	September 30, 2020
Raw materials	$ 4,810	$ 3,677
Work in process inventory	611	957
Finished goods	1,196	1,461
	$ 6,617	$ 6,095

Inventory recognized as cost of revenues in the year ended September 30, 2021 (2020) is $14,453 ($6,942). No inventory provisions have been recognized in years ended September 30, 2021 (2020).

8. Prepaid Expenses

The following table presents prepaid expenses as at:

	September 30, 2021	September 30, 2020
Prepaid maintenance	$ 5,703	$ 3,080
Other prepaid expenses	4,188	3,627
	$ 9,891	$ 6,707

(Canadian dollars in thousands, except per share amounts)

9. Contract assets and liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	September 30, 2021	September 30, 2020
Work in process	$ 55,307	$ 84,132
Unearned contract revenue	(23,321)	(13,435)
Net contract assets	$ 31,986	$ 70,697

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

	Changes in Net Contract Assets	
	September 30, 2021	September 30, 2020
Opening balance, October 1	$ 70,697	$ 30,443
Additions	114,446	128,772
Billings	(152,161)	(88,362)
Acquisitions	(996)	(156)
Ending balance	$ 31,986	$ 70,697

10. Equipment

A continuity of the property and equipment for the year ended September 30, 2021 is as follows:

	Cost				Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions	Total	Depreciation	Accumulated Depreciation	September 30, 2021	September 30, 2020
Leasehold improvements	$ 2,537	$ (150)	$ 159	$ 2,546	$ (254)	$ (833)	$ 1,713	$ 1,870
Equipment	$ 24,829	$ -	$ 2,828	$ 27,657	$ (2,405)	$ (16,959)	$ 10,698	$ 9,785
Total equipment	$ 27,366	$ (150)	$ 2,987	$ 30,203	$ (2,659)	$ (17,792)	$ 12,411	$ 11,655
Application software	$ 7,084	$ 2,810	$ 1,458	$ 11,352	$ (489)	$ (3,337)	$ 8,015	$ 3,092
Capitalized research and development	$ 4,444	$ 430	$ -	$ 4,874	$ (1,137)	$ (1,657)	$ 3,217	$ 3,924

(Canadian dollars in thousands, except per share amounts)

11. Right-of-Use Assets and Lease Obligations

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

	Years ended September 30, 2021	Years ended September 30, 2020
Balance October 1	$ 17,595	$ 18,416
Additions	842	2,045
Disposals	-	(95)
Depreciation	(3,054)	(2,771)
Balance September 30	$ 15,383	$ 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:

	Years ended September 30, 2021	Years ended September 30, 2020
Balance at October 1	$ 19,590	$ 20,259
Additions	921	1,969
Disposals	-	(130)
Principal payments	(3,033)	(2,508)
Balance at September 30	$ 17,478	$ 19,590
Current	3,029	2,790
Non-current	14,449	16,800
Total	$ 17,478	$ 19,590

The following table presents the contractual undiscounted cash flows for lease obligations as at September 30, 2021:

	Total Undiscounted Lease Obligations
Less than one year	$ 3,441
One to five years	10,266
More than five years	5,456
Total undiscounted lease obligations	$ 19,163

Total cash outflow for leases in the year ended September 30, 2021 (2020) was $3,483 ($2,983), including principal payments relating to lease obligations of $3,033 ($2,508), interest expense on lease obligations was $450 ($475). Expenses relating to short-term leases recognized in general and administration expenses were $72 ($219) for the year ended September 30, 2021 (2020).

(Canadian dollars in thousands, except per share amounts)

12. Investments

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. In 2018, the Company invested an additional $150 in the form of a convertible loan. In Fiscal 2020, the Company elected to exchange its existing convertible debt 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 prior fiscal year.

13. Acquired Intangible Assets

A continuity of the intangible assets for the year ended September 30, 2021 is as follows:

	September 30, 2021			
	Opening Balance	Additions (Note 25)	Amortization	Closing Balance
Customer relationship - Primacy	$ 1,909	$ -	$ -	1,909
Customer relationships	17,661	15,619	(5,578)	27,702
Discrete contracts with customers & Non-competition agreements	1,057	-	(340)	717
Technology and trademarks	15,564	14,440	(5,813)	24,191
	$ 36,191	$ 30,059	$ (11,731)	$ 54,519

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

	September 30, 2020			
	Opening Balance	Additions (Note 25)	Amortization	Closing Balance
Customer relationship - Primacy	$ 1,909	$ -	$ -	1,909
Customer relationships	8,055	12,449	(2,843)	17,661
Discrete 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. Goodwill

The following table presents the goodwill for the Company for the year ended September 30, 2021:

	September 30, 2021
Opening balance	$ 55,290
Additions:	
Acquisition of Cadence Consultancy Ltd.	1,921
Acquisition of InterTronic Solutions Inc.	4,473
Acquisition of Dapasoft Inc.	38,419
Ending balance	$ 100,103

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

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

15. Accounts Payable and Accrued Liabilities

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

	September 30, 2021	September 30, 2020
Trade accounts payable	$ 43,668	$ 47,827
Payroll accruals	16,554	14,785
Income tax payable	1,913	4,906
Other accruals	5,958	4,489
	$ 68,093	$ 72,007

(Canadian dollars in thousands, except per share amounts)

16. Provisions

Changes in provisions for the year ended September 30, 2021 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2020	$ 645	$ 280	$ 113	$ 1,038
Additions	764	581	-	1,345
Utilization/Reversals	(656)	(176)	(10)	(842)
Balance at September 30, 2021	$ 753	$ 685	$ 103	$ 1,541

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

17. 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. At September 30, 2021 (2020), the Company utilized $NIL (NIL) 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.

18. 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, 2021.

Common shares issued and outstanding:

	September 30, 2021		September 30, 2020	
	Shares	Amount	Shares	Amount
Balance October 1	9,760,032	$ 107,931	7,929,238	$ 32,515
Shares issued under employee share plans	90,064	3,064	153,222	5,323
Shares issued under employee share purchase plan	32,017	1,974	46,918	1,746
Shares issued through acquisition	85,715	5,000	62,054	2,500
Shares issued under public offering	1,318,000	76,991	1,568,600	65,847
Issued capital	11,285,828	$ 194,960	9,760,032	$ 107,931

On March 17, 2021 the Company completed an upsized bought deal offering, under which a total of 1,318,000 Common Shares were sold at a price of $60.50 per Common Share for aggregate gross proceeds of $79,739,

18. Issued Capital and Reserves (continued)

including shares issued pursuant to the partial exercise of the over-allotment option granted to the Underwriters. Net proceeds after commissions, issuance costs and deferred tax relating to issuance costs were $76,991.

Subsequent to the date of the statement of financial position, on November 24, 2021, the date of issuance of these consolidated financial statements, the Company declared a dividend of $0.28 per common share payable on December 22, 2021.

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.

19. Share-Based Compensation

Employee Share Purchase Plan

During the year ended September 30, 2021 (2020), the Company issued NIL (28,754) shares under the Company's previous Employee Share Purchase Plan at an average price of NIL ($24.70). The Company received NIL ($710) in proceeds and recorded an expense of NIL ($136).

On February 6, 2020, the Company adopted a new Employee Share Purchase Plan (the "2020 Employee Share Purchase Plan"). This new plan replaces the previous Employee Share Plan. Under the 2020 Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of September 30, 2021 the Company can issue 449,819 shares.

During the year ended September 30, 2021 (2020) under the 2020 Employee Share Purchase Plan, the Company issued 32,017 (18,164) shares at an average price of $61.66 ($49.58). The Company received $1,575 ($720) in proceeds and recorded an expense of $399 ($180).

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% (1,015,725) 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, 2021, the Company has 245,737 stock options and RSUs outstanding. As a result, the Company could grant up to 769,988 additional stock options or RSU's pursuant to the plan.

The weighted average fair value of options granted during the year ended September 30, 2021 was $10.22 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)

19. Share-Based Compensation (continued)

The following assumptions were used to determine the fair value of the options granted in the year ended September 30, 2021:

	Weighted Average Options Granted			
	September 30, 2021		September 30, 2020	
Grant date share price	$	61.11	$	36.49
Exercise price	$	61.11	$	36.49
Expected price volatility	%	27.4	%	22.8
Expected option life	yrs	3.33	yrs	4.00
Expected dividend yield	%	1.84	%	2.85
Risk-free interest rate	%	0.33	%	1.50
Forfeiture rate	%	0	%	0

	September 30, 2021		September 30, 2020	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	230,638	$ 43.69	239,400	$ 30.57
Exercised	(54,900)	31.40	(139,300)	31.17
Forfeited	-	-	(2,000)	29.55
Granted	29,175	61.11	132,538	54.01
Outstanding September 30	204,913	$ 49.46	230,638	$ 43.69

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	1,000	May 17, 2017	May 17, 2022	$ 27.30	$ 3.42
(2) Issued November 24, 2017	7,700	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	47,500	November 19, 2018	November 19, 2023	$ 29.55	$ 3.96
(5) Issued November 25, 2019	16,000	November 25, 2019	November 25, 2024	$ 36.49	$ 5.18
(6) Issued August 13, 2020	97,538	August 13, 2020	August 13, 2025	$ 60.30	$ 8.44
(7) Issued November 24, 2020	27,358	November 24, 2020	November 24, 2025	$ 61.16	$ 10.24
(8) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	$ 60.35	$ 9.92

For the options issued on November 24, 2020, vesting occurs quarterly through to November 24, 2021. For the options issued on February 9, 2021, Vesting occurs quarterly through to February 9, 2022.

At September 30, 2021 (2020) the weighted average remaining contractual life of options outstanding is 3.14 (3.85) years of which 164,604 (98,100) options are exercisable at a weighted average price of $46.77 ($31.73). The Company has recorded $931 ($324) of share-based compensation expense in the year ended September 30, 2021 (2020) related to the options that have been granted. The Company has total unrecognized compensation expense of $133 (2020 - $766) that will be recorded in the next two fiscal years.

(Canadian dollars in thousands, except per share amounts)

19. 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, 2021:

	September 30, 2021		September 30, 2020	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	56,039	$ 32.67	47,736	$ 30.11
Exercised	(35,164)	31.52	(13,922)	30.28
Forfeited	(40)	59.35	(790)	31.99
Granted	19,989	59.26	23,015	36.49
Balance at September 30	40,824	$ 46.65	56,039	$ 32.67

Of the units issued in the current year under the RSU plan, nil have vested as of September 30, 2021. The Company has recorded $978 ($899) of share-based compensation expense in the year ended September 30, 2021 (2020) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of $644 at September 30, 2021 (2020 - $475) 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 16, 2018	5,479	November 16, 2018	November 15, 2021	$ 29.55
(2) Issued February 7, 2019	225	February 7, 2019	November 15, 2021	$ 29.06
(3) Issued November 25, 2019	15,171	November 25, 2019	November 15, 2022	$ 36.49
(4) Issued November 24, 2020	18,972	November 24, 2020	November 15, 2023	$ 59.35
(5) Issued February 9, 2021	246	February 9, 2021	November 15, 2023	$ 59.74
(6) Issued May 12, 2021	678	May 12, 2021	November 15, 2023	$ 56.32
(6) Issued August 10, 2021	53	August 10, 2021	November 15, 2023	$ 63.25

Deferred share unit plan

During the year ended September 30, 2021 (2020) the Company granted 2,716 (3,738) deferred share units ("DSU").

(Canadian dollars in thousands, except per share amounts)

19. Share-Based Compensation (continued)

The Company recorded share-based compensation of $148 ($141) related to the DSUs in the year ended September 30, 2021 (2020). Each DSU entitles the participant to receive the value of one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service.

There are 22,516 (24,652) DSUs outstanding at September 30, 2021 (2020). The fair value of the DSUs outstanding at September 30, 2021 (2020) was $55.83 ($61.71) per unit using the fair value of a Common Share at period end.

20. Revenue

The following table presents the revenue of the Company for the year ended September 30, 2021 and 2020

	Year ended	
	September 30, 2021	September 30, 2020
Product revenue		
Advanced Technologies	$ 113,878	$ 109,532
Health	4,658	25,184
Learning	-	-
ITCS	13,088	8,357
Total product revenue	$ 131,624	$ 143,073
Service revenue		
Advanced Technologies	$ 52,713	$ 43,850
Health	190,278	137,851
Learning	74,622	57,834
ITCS	69,167	49,712
Total service revenue	$ 386,780	$ 289,247
Total revenue	$ 518,404	$ 432,320

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, 2021 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	September 30, 2021
Less than 24 months	$ 454,292
Thereafter	206,313
Total	$ 660,605

(Canadian dollars in thousands, except per share amounts)

21. Net Profit per Share

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

	Year ended September 30	
	2021	2020
Weighted average number of common shares – basic	10,599,693	9,044,588
Additions to reflect the dilutive effect of employee stock options and RSU's	40,735	59,910
Weighted average number of common shares – diluted	10,640,428	9,104,498

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, 2021 (2020), 97,538 (NIL) 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.

22. 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:

	2021	2020
Profit before income taxes	$ 17,707	$ 27,220
Tax provision at the combined basic Canadian federal and provincial income tax rate of 26.9% (2020: 26.9%)	4,763	7,322
Increase (decrease) resulting from:		
Effect of expenses that are not deductible in determining taxable profits	3,258	489
Impact of rate reductions on valuation of deferred income tax assets	(2,226)	(236)
Other income not taxable in determining net profit	1,048	(854)
Other	(291)	139
Income tax expense	$ 6,552	$ 6,860

(Canadian dollars in thousands, except per share amounts)

22. 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, 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)
Current year acquisition	-	(7,893)	-	-	-	(7,893)
Bought Deal Offering	-	-	1,023	-	-	1,023
Recovery (expensed) to statement of net profit	(670)	3,134	(462)	-	(155)	1,847
Recovery (expensed) to other comprehensive income	-	-	-	(995)	-	(995)
Deferred tax liability at September 30, 2021	$ (2,646)	$ (14,463)	$ 1,477	$ (453)	$ 806	$ (15,279)

Investments in subsidiaries

As at September 30, 2021 (2020), the Company had temporary differences of -$3,174 ($8,396) associated with investments in subsidiaries for which no deferred tax liabilities have been recognized as it is not probable that these differences will reverse in the foreseeable future.

23. 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

(Canadian dollars in thousands, except per share amounts)

23. Segmented Information (continued)

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 interest income and income tax expense.

For the year ended September 30, 2021:

For the year ended September 30, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 166,591	$ 194,936	$ 74,622	$ 82,255	$ -	$ 518,404
Cost of revenues	125,015	147,093	57,285	62,274	-	391,667
Gross profit	41,576	47,843	17,337	19,981	-	126,737
Gross profit %	25 %	25 %	23 %	24 %	N/A	24 %
Selling and marketing	7,496	2,636	866	3,027	2,309	16,334
General and administration	9,683	9,848	4,036	6,071	23,816	53,454
Research and development	3,542	573	-	905	-	5,020
Profit before under noted items	$ 20,855	$ 34,786	$ 12,435	$ 9,978	$ (26,125)	$ 51,929
Profit before under noted items %	13 %	18 %	17 %	12 %	N/A	10 %
Depreciation of equipment, application software and R&D						4,285
Depreciation of right of use asset						3,054
Amortization of acquired intangibles						11,731
Other changes in fair value						-
Deemed compensation						4,006
Changes in fair value related to contingent earn-out						10,336
Profit before interest income and income tax expense						18,517
Lease obligations interest expense						450
Interest expense (income)						360
Profit before income tax expense						17,707
Income tax expense – current						8,399
Income tax expense (recovery) – deferred						(1,847)
Total income tax expense						6,552
NET PROFIT FOR THE PERIOD						$ 11,155

(Canadian dollars in thousands, except per share amounts)

23. Segmented Information (continued)

For the year ended September 30, 2020:

For the year ended September 30, 2020	Advanced Technologies	Health	Learning	ITCS	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 intangibles						5,166
Other changes in fair value						(101.00)
Changes in fair value related to contingent earn-out						(1,882)
Profit before interest income 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)

23. Segmented Information (continued)

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the year ended September 30 are attributed as follows:

	September 30, 2021	September 30, 2020
Canada	78%	75%
United States	11%	19%
Europe	10%	6%
Other	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 year ended September 30, 2021 (2020) represented 51% (53%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

24. 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 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 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

(Canadian dollars in thousands, except per share amounts)

24. Financial Instruments and Risk Management (continued)

accounting when appropriate documentation and effectiveness criteria are met.

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

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

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its German subsidiary is the European Euro ("EUR"), the 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 which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Company's German operations, Norwegian operations, and U.K. operations are first expressed in the Companies' 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 September 30, 2021, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value September 30, 2021
SELL	$ 92,135	USD	October 2021	$ 116,707	$ 535
SELL	6,992	EURO	October 2021	10,263	73
SELL	296	CHF	October 2021	402	2
Derivative assets					$ 610
BUY	$ 24,948	USD	October 2021	$ 31,602	$ (145)
BUY	1,005	EURO	October 2021	1,475	(11)
BUY	294	CHF	October 2021	400	(2)
Derivative liabilities					$ (158)

(Canadian dollars in thousands, except per share amounts)

24. Financial Instruments and Risk Management (continued)

A 10% strengthening of the Canadian dollar against the following currencies at September 30, 2021 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

		September 30, 2021
USD	$	7,739
EURO		6,895
CHF		765
NOK		826
Total	$	16,225

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, 2021
USD	$	1,082
EURO		16
GBP		3
SEK		3
Total	$	1,104

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, 2021 (2020), 50% (56%) of its accounts' receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not suffered any significant credit related losses.

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

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

(Canadian dollars in thousands, except per share amounts)

24. Financial Instruments and Risk Management (continued)

	September 30, 2021	September 30, 2020
Cash and cash equivalents	$ 78,611	$ 24,235
Accounts receivable	111,138	81,109
Derivative assets	610	358
Total	$ 190,359	$ 105,702

The aging of accounts receivable at the reporting date was:

	September 30, 2021	September 30, 2020
Current	$ 97,830	$ 76,470
Past due (61-120 days)	8,886	3,305
Past due (> 120 days)	4,422	1,334
Total	$ 111,138	$ 81,109

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, 2021, the company has a secured credit facility that matures on January 5, 2024 that allows the Company to draw up to $80,000 CAD. At as September 30, 2021, the company had $78,611 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 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, 2021 and represent the difference between the hedge rate and the exchange rate at the end of the reporting period.

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

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

(Canadian dollars in thousands, except per share amounts)

24. Financial Instruments and Risk Management (continued)

	September 30, 2021		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 78,611	$ -	$ -
Investment and loan receivable	-	-	670
Derivative financial assets	-	610	-
Contingent earn-out	-	-	(39,343)
Derivative financial liabilities	-	(158)	-
Total	$ 78,611	$ 452	$ (38,673)

	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)

There were no transfers between Level 1, Level 2 and level 3 during the year ended September 30, 2021.

25. Acquisitions

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 was estimated that IntraGrain would 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 ‘other changes in fair value related to contingent earn out’ in Q4 of fiscal year 2020. As at October 31, 2020, the second earn out period was completed which resulted in no additional payment. No remaining contingent consideration is outstanding at September 30, 2021.

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.

25. Acquisitions (continued)

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 was estimated that SatService would 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 $2,987 reflected in 'other changes in fair value related to contingent earn out' in Q4 of fiscal year 2020. As at December 31, 2020, the second earn out period was completed which resulted in no additional payment. No remaining contingent consideration is outstanding at September 30, 2021.

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 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. The Company revises its estimate of total contingent consideration owed based on actual results and forecasts for future periods. As at September 30, the company has paid $3,616 based on achievement of the first year EBITDA under the agreement, and has accrued $6,941 to be paid in future periods.

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 will be 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 $3,850 in the twelve-month period ended September 30, 2021.

The Company recognized $395 in the year ended September 30, 2021, related to changes in fair value of contingent earn out.

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, $3,009 was paid in cash on the date of closing, 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 ITCS 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. In the current year it was determined by management that EMSEC is unlikely to achieve the level of EBITDA to achieve the targets set out for the first or second year relating to the earn outs. This has resulted in an adjustment to the changes of fair value related to contingent earn out in the amount of $1,551 in the year ended September 30, 2021.

25. Acquisitions (continued)

This was offset by changes in fair value throughout the period of $191 recognized in relation to accrete the initial estimate from present value to fair value and recorded as changes in fair value of contingent earn out.

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 13,800 NOK ($1,983 CAD). Of this amount, 7,900 NOK ($1,135 CAD) was paid in cash on the date of closing and 5,900 NOK ($848 CAD) is payable contingently. CTS designs, develops and delivers complex training exercises for the Joint Warfare Centre, a multi-national and multi-service organization of 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 September 30, 2021 and September 30, 2022, respectively. The Company recognized $104 in the year ended September 30, 2021, related to changes in fair value of contingent earn out.

The first year earn out has concluded with an overachievement on the initial target as set out in the share purchase agreement, which has resulted in overachievement bonus of $61 which was recorded in deemed compensation.

Tallysman Wireless Inc. ("Tallysman")

On September 3, 2020, the Company acquired all of 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. 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.

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. The Company recognized $759 in the twelve-month period ended September 30, 2021, related to changes in fair value of contingent earn out.

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 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 is reported as part of the Learning operating segment.

(Canadian dollars in thousands, except per share amounts)

25. Acquisitions (continued)

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. Therefore, the amount of $1,181 represents the estimated present and risk adjusted value of the Company's obligation at the acquisition date. The Company recognized $236 in the twelve-month period ended September 30, 2021, related to changes in fair value of contingent earn out.

As at September 30, 2021, the accounting for the acquisition of Cadence is considered final.

	Net Assets Acquired	Purchase Price Accounting	Fair Value of Net Assets Acquired
Cash and cash equivalents	$ 338	-	$ 338
Accounts receivable	180	-	180
Work in process	45	-	45
Prepaid expenses	1	-	1
	$ 564	$ -	$ 564
Equipment	$ 1	$ -	$ 1
Acquired Intangibles	-	1,119	1,119
Goodwill	-	1,921	1,921
	$ 565	$ 3,040	$ 3,605
Accounts payable and accrued liabilities	$ 234	$ -	$ 234
Deferred tax liabilities	-	224	224
	$ 234	$ 224	$ 458
Net purchase price			3,147
Discount on contingent consideration			371
Total purchase price			$ 3,518

InterTronic Solutions Inc. ("InterTronic")

On January 4, 2021, the Company acquired all of the outstanding shares of InterTronic for a purchase price of up to $24,540. Of this amount, $13,000 was paid in cash on the date of closing, and $11,540 is payable contingently of which, $4,847 was included in the purchase price. InterTronic designs and installs high-performance antenna systems and broadens the current Calian range of capabilities with antenna ground systems. InterTronic results will be consolidated and reported with the Calian Advanced Technologies segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of InterTronic an additional $4,620 and $4,620 if InterTronic attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. An additional contingent consideration amount of $2,300 is achievable if InterTronic meets a certain level of contracts signed for the year ending December 31, 2021. The Company recognized $324 in the twelve-month period ended September 30, 2021, related to changes in fair value of contingent earn out and recorded a change in estimate of $1,080 relating to the level of contracts signed for the year ending December 31, 2021. As at September 30, 2021, the accounting for the acquisition of InterTronic is considered final.

(Canadian dollars in thousands, except per share amounts)

25. Acquisitions (continued)

	Net Assets Acquired	Purchase Price Accounting	Fair Value of Net Assets Acquired
Cash	$ 5,666	-	$ 5,666
Accounts receivable and tax receivable	1,506	-	1,506
Inventory	76	-	76
Prepaid expenses	38	-	38
	$ 7,286	$ -	$ 7,286
Equipment	$ 109	$ -	$ 109
Acquired Intangibles	-	9,540	9,540
Goodwill	-	4,473	4,473
	$ 7,395	$ 14,013	$ 21,408
Accounts payable and accrued liabilities	$ 1,530	$ -	$ 1,530
Unearned contract revenue	366	-	366
Deferred tax liability	-	2,528	2,528
	$ 1,896	$ 2,528	$ 4,424
Net purchase price			16,984
Discount on contingent consideration			863
Total purchase price			$ 17,847

Dapasoft Inc. (“Dapasoft”)

On February 22, 2021, the Company acquired all of 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. Results in the first seven months after acquiring Dapasoft have been stronger than anticipated at time of purchase, which has resulted in a change of estimate for payment

(Canadian dollars in thousands, except per share amounts)

25. Acquisitions (continued)

of contingent earnout in relation to the first and second years' contingent earn outs. The change in estimate for the first and second year earn outs has resulted in a change in fair value of the contingent earn out in the amount of $9,282. The Company additionally recognized $606 in the twelve-month period ended September 30, 2021, related to changes in fair value of contingent earn out relating to present value adjustments. A portion of the earn out is payable through issuance of common shares of the Company. The share price for Calian has increased since the acquisition date, and this has led to a fair value adjustment in relation to the contingent earn out shares in the amount of $572 which is recognized in changes in fair value of contingent earn out.

As at September 30, 2021, the accounting for the acquisition of Dapasoft is considered final.

	Net Assets Acquired	Purchase Price Accounting	Fair Value of Net Assets Acquired
Cash	$ 5,530	-	$ 5,530
Accounts receivable and tax receivable	5,342	-	5,342
WIP	2,065	-	2,065
Prepaid expenses	393	-	393
	$ 13,330	$ -	$ 13,330
Equipment	$ 1,297	$	$ 1,297
Acquired Intangibles	-	19,400	19,400
Goodwill	-	38,419	38,419
	$ 14,627	$ 57,819	$ 72,446
Accounts payable and accrued liabilities	$ 5,864	$ -	$ 5,864
Unearned contract revenue	2,740	-	2,740
Deferred tax liability	-	5,141	5,141
	$ 8,604	$ 5,141	$ 13,745
Net purchase price			58,701
Discount on contingent consideration			1,613
Total purchase price			$ 60,314

Cash consideration paid for acquisition activity during the year ended September 30, 2021:

	Cadence	InterTronic	Dapasoft
Consideration paid in cash	$ 1,966	13,000	41,709
Less- cash balance acquired	(338)	(5,666)	(5,530)
	$ 1,628	7,334	36,179

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

(Canadian dollars in thousands, except per share amounts)

26. Contingent Earn-Out

The following shows the contingent consideration activity for the year ended September 30, 2021:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	5,814	-	(3,616)	395	4,348	6,941
Comprehensive Training Solutions	645	-	-	104	-	749
EMSEC Solutions	1,360	-	-	191	(1,551)	-
Tallysman Wireless	7,345	-	-	759	-	8,104
Cadence	-	1,181	-	236	-	1,417
InterTronic	-	3,984	-	324	(1,080)	3,228
Dapasoft	-	7,363	-	606	9,854	17,823
Total	$ 15,164	$ 12,528	$ (3,616)	$ 2,615	$ 11,571	$ 38,262

A portion of the contingent earn-out amount for Dapasoft is included in contributed surplus. This relates to contingent earn-out amounts to be issued in shares of the company if certain levels of EBITDA is achieved. The number of shares to be issued are fixed, and if Dapasoft does not achieve the target, no shares will be issued in relation to this earn-out. Due to this, $1,629 is included in contributed surplus instead of contingent earn-out payable.

As at September 30, 2021, the total gross value of all contingent consideration outstanding is $62,816.

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

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	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

27. Pension Plan

The Company sponsors a defined contribution pension plan for certain of its employees. Required contributions have been fully funded to September 30, 2021. For fiscal 2021 (2020), an amount of $1,468 ($1,228) was expensed related to this pension plan.

(Canadian dollars in thousands, except per share amounts)

28. Related Party Transactions

During the year ended September 30, 2021 (2020), the Company had sales of $1,729 ($1,160) to GrainX in which Calian holds a non-controlling equity investment. At September 30, 2021 (2020), the Company had an accounts receivable balance with GrainX of $66 ($130) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties.

The 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, Chief Commercial Officer, Chief Technology Officer and President, Advanced Technologies.

	2021	2020
Short-term benefits	$ 3,394	2,570
Share-based payments	997	1,349
	$ 4,391	$ 3,919

29. 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.

30. Subsequent Events

Effective October 7, 2021, the Company acquired the outstanding shares of SimFront, for total cash consideration of up to $15,000 of which, $9,000 was paid on closing, and $6,000 is payable contingently. SimFront will now 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 will be reported as part of the Learning operating segment and fully consolidated as of October 7, 2021.

Additional Information

Additional information about the Company such as the Company's 2021 Annual Information Form and Management Circular can be found on SEDAR at www.SEDAR.com

Dated: November 24, 2021

Corporate Information

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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

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

Ray Basler, CPA, CA
Consultant
Chair of the Audit Committee

Young Park
Consultant

Ronald Richardson
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.