

# UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2023



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

	NOTES	June 30, 2023	September 30, 2022
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	\$ 40,988	\$ 42,646
Accounts receivable	5	161,090	171,453
Work in process	8	22,746	39,865
Inventory	6	23,857	18,643
Prepaid expenses	7	15,949	23,780
Derivative assets	22	39	123
<b>Total current assets</b>		<b>264,669</b>	<b>296,510</b>
<b>NON-CURRENT ASSETS</b>			
Capitalized research and development	9	1,369	2,186
Equipment	9	17,259	16,623
Application software	9	9,676	10,395
Right of use assets	10	15,519	16,678
Investments	11	3,359	670
Acquired intangible assets	12	46,129	57,087
Prepaid expenses	7	8,031	-
Deferred tax asset		735	1,054
Goodwill	13	145,198	145,959
<b>Total non-current assets</b>		<b>247,275</b>	<b>250,652</b>
<b>TOTAL ASSETS</b>		<b>\$ 511,944</b>	<b>\$ 547,162</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Debt facility	16	\$ -	\$ 7,500
Accounts payable and accrued liabilities	14	98,113	126,096
Contingent earn-out	24	21,968	25,676
Provisions	15	1,222	1,249
Unearned contract revenue	8	29,653	46,210
Derivative liabilities	22	158	812
Lease obligations	10	4,313	4,115
<b>Total current liabilities</b>		<b>155,427</b>	<b>211,658</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease obligations	10	13,591	14,920
Contingent earn-out	24	-	2,874
Unearned contract revenue	15	12,567	-
Deferred tax liabilities		11,708	12,524
<b>Total non-current liabilities</b>		<b>37,866</b>	<b>30,318</b>
<b>TOTAL LIABILITIES</b>		<b>193,293</b>	<b>241,976</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	17	220,400	213,277
Contributed surplus		3,462	3,479
Retained earnings		96,136	92,198
Accumulated other comprehensive loss		(1,347)	(3,768)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>318,651</b>	<b>305,186</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 511,944</b>	<b>\$ 547,162</b>
Number of common shares issued and outstanding	17	11,740,099	11,607,391

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

**CALIAN GROUP LTD.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT**  
For the three and nine month periods ended June 30, 2023 and 2022  
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended June 30,		Nine months ended June 30,	
		2023	2022	2023	2022
Revenue					
Advanced Technologies		\$ 44,777	\$ 39,152	\$ 125,842	\$ 119,881
Health		49,152	39,841	133,288	127,671
Learning		26,741	22,259	81,964	69,869
ITCS		45,880	48,766	141,541	104,201
<b>Total Revenue</b>	19	<b>166,550</b>	<b>150,018</b>	<b>482,635</b>	<b>421,622</b>
Cost of revenues		115,443	104,515	334,219	302,546
<b>Gross profit</b>		<b>51,107</b>	<b>45,503</b>	<b>148,416</b>	<b>119,076</b>
Selling and marketing		11,891	9,554	34,865	19,450
General and administration		21,437	17,994	59,329	48,404
Research and development		3,273	1,819	8,616	4,357
<b>Profit before under noted items</b>		<b>14,506</b>	<b>16,136</b>	<b>45,606</b>	<b>46,865</b>
Depreciation of equipment, application software and capitalized research and development	9	2,361	2,237	6,910	4,666
Depreciation of right of use assets	10	1,127	978	3,149	2,679
Amortization of acquired intangible assets	12	3,603	3,351	10,414	17,071
Deemed compensation	23, 24	-	-	147	1,000
Changes in fair value related to contingent earn- out	23, 24	138	651	3,442	3,266
<b>Profit before interest and income tax expense</b>		<b>7,277</b>	<b>8,919</b>	<b>21,544</b>	<b>18,183</b>
Lease obligations interest expense	10	139	94	372	308
Interest expense (income)		(254)	142	(269)	288
<b>Profit before income tax expense</b>		<b>7,392</b>	<b>8,683</b>	<b>21,441</b>	<b>17,587</b>
Income tax expense – current		2,930	2,172	9,143	8,657
Income tax recovery – deferred		(211)	(325)	(1,468)	(3,479)
Total income tax expense		2,719	1,847	7,675	5,178
<b>NET PROFIT</b>		<b>\$ 4,673</b>	<b>\$ 6,836</b>	<b>\$ 13,766</b>	<b>\$ 12,409</b>
<b>Net profit per share:</b>					
Basic	20	\$ 0.40	\$ 0.60	\$ 1.18	\$ 1.10
Diluted	20	\$ 0.40	\$ 0.60	\$ 1.17	\$ 1.09

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

**CALIAN GROUP LTD.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the three and nine month periods ended June 30, 2023 and 2022  
(Canadian dollars in thousands)

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
<b>NET PROFIT</b>	\$ 4,673	\$ 6,836	\$ 13,766	\$ 12,409
Items that will be reclassified subsequently to net profit				
Cumulative translation adjustment	(1,065)	(1,345)	(264)	(1,510)
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of \$393 and \$968 (2022 - \$433 and \$301)	1,089	(1,100)	2,685	(587)
Other comprehensive income (loss), net of tax	24	(2,445)	2,421	(2,097)
<b>COMPREHENSIVE INCOME</b>	<b>\$ 4,697</b>	<b>\$ 4,391</b>	<b>\$ 16,187</b>	<b>\$ 10,312</b>

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

**CALIAN GROUP LTD.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the nine month periods ended June 30, 2023 and 2022  
(Canadian dollars in thousands, except per share data)

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
<b>Balance October 1, 2022</b>		<b>\$ 213,277</b>	<b>\$ 3,479</b>	<b>\$ 92,198</b>	<b>\$ (3,768)</b>	<b>\$ 305,186</b>
Net profit and comprehensive income		-	-	13,766	2,421	16,187
Dividend paid (\$0.84 per share)		-	-	(9,828)	-	(9,828)
Shares issued under employee share plans	17	2,027	(1,434)	-	-	593
Shares issued through acquisition	17	2,844	-	-	-	2,844
Shares issued under employee share purchase plan	17	2,252	-	-	-	2,252
Share-based compensation expense	18	-	1,417	-	-	1,417
<b>Balance June 30, 2023</b>		<b>\$ 220,400</b>	<b>\$ 3,462</b>	<b>\$ 96,136</b>	<b>\$ (1,347)</b>	<b>\$ 318,651</b>

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
<b>Balance October 1, 2021</b>		<b>\$ 194,960</b>	<b>\$ 5,224</b>	<b>\$ 91,359</b>	<b>\$ 817</b>	<b>\$ 292,360</b>
Comprehensive income		-	-	12,409	(2,097)	10,312
Dividend paid (\$0.84 per share)		-	-	(9,516)	-	(9,516)
Shares issued under employee share plans	17	1,773	(895)	-	-	878
Shares issued under employee share purchase plan	17	1,778	(129)	-	-	1,649
Share based compensation expense	18	-	1,356	-	-	1,356
<b>Balance June 30, 2022</b>		<b>\$ 198,511</b>	<b>\$ 5,556</b>	<b>\$ 94,252</b>	<b>\$ (1,280)</b>	<b>\$ 297,039</b>

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

**CALIAN GROUP LTD.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the three and nine month periods ended June 30, 2023 and 2022  
(Canadian dollars in thousands)

	NOTES	Three months ended		Nine months ended	
		June 30,		June 30,	
		2023	2022	2023	2022
<b>CASH FLOWS GENERATED FROM (USED IN)</b>					
<b>OPERATING ACTIVITIES</b>					
Net profit		\$ 4,673	\$ 6,836	\$ 13,766	\$ 12,409
Items not affecting cash:					
Interest expense (income)		(254)	142	(269)	288
Changes in fair value related to contingent earn-out	24	138	651	3,442	3,266
Lease obligations interest expense	10	139	94	372	308
Income tax expense		2,719	1,847	7,675	5,178
Employee share purchase plan expense	18	166	131	467	393
Share based compensation expense	18	673	484	1,655	1,356
Depreciation and amortization	9, 10, 12	7,091	6,565	20,473	24,416
Deemed compensation	23, 24	-	-	147	1,000
		15,345	16,750	47,728	48,614
<b>Change in non-cash working capital</b>					
Accounts receivable		3,105	29,715	10,364	12,933
Work in process		9,536	(1,812)	17,119	1,659
Prepaid expenses and other		2,234	(3,744)	3,019	(9,694)
Inventory		(190)	(3,044)	(5,213)	(5,021)
Accounts payable and accrued liabilities		(19,883)	(9,202)	(27,422)	(5,820)
Unearned contract revenue		(6,891)	(3,961)	(3,990)	10,930
		3,256	24,702	41,605	53,601
Interest paid		114	(237)	(104)	(597)
Income tax paid		(825)	(4,690)	(7,430)	(9,851)
		2,545	19,775	34,071	43,153
<b>CASH FLOWS GENERATED FROM (USED IN)</b>					
<b>FINANCING ACTIVITIES</b>					
Issuance of common shares net of costs	17, 18	366	336	2,141	2,134
Dividends		(3,286)	(3,179)	(9,828)	(9,516)
Draw (repayment) on debt facility	16	-	(17,896)	(7,500)	7,500
Payment of lease obligations	10	(1,199)	(966)	(3,121)	(2,726)
		(4,119)	(21,705)	(18,308)	(2,608)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Investments	11	-	-	(2,689)	-
Business acquisitions	23	-	(4,416)	(8,660)	(62,638)
Capitalized research and development	9	-	(25)	(86)	(175)
Equipment, building and application software	9	(3,341)	(1,585)	(5,986)	(4,908)
		(3,341)	(6,026)	(17,421)	(67,721)
<b>NET CASH OUTFLOW</b>		\$ (4,915)	\$ (7,956)	\$ (1,658)	\$ (27,176)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>					
		45,903	59,391	42,646	78,611
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		\$ 40,988	\$ 51,435	\$ 40,988	\$ 51,435

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

**CALIAN GROUP LTD.**  
**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three and nine month periods ended June 30, 2023 and 2022**  
**(Canadian dollars in thousands, except per share amounts)**

**1. Basis of Preparation**

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

Statement of compliance

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

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

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

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

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

**3. Seasonality**

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

#### 4. Cash and Cash Equivalents

The following table presents cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	\$ 7,044	1.00	\$ 7,044
USD	22,906	1.32	30,236
GBP	205	1.68	344
EUR	1,663	1.44	2,395
NOK	8,075	0.12	969
Total cash and cash equivalents June 30, 2023			\$ 40,988
CAD	\$ 16,719	1.00	\$ 16,719
USD	12,933	1.37	17,718
GBP	388	1.51	586
EUR	5,619	1.34	7,529
NOK	723	0.13	94
Total cash and cash equivalents September 30, 2022			\$ 42,646

#### 5. Accounts Receivable

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

	June 30, 2023	September 30, 2022
Trade and accounts receivable	\$ 156,235	\$ 168,614
Tax and Scientific Research and Development credit receivable	3,793	2,235
Other	1,463	864
	161,491	171,713
Loss Allowance	(401)	(260)
	\$ 161,090	\$ 171,453

Bad debt expense recognized in the three months ended June 30, 2023 (2022) is \$160 (\$117). Bad debt expense recognized in the nine months ended June 30, 2023 (2022) is \$565 (\$327).

#### 6. Inventory

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

The following table presents inventories as at:

	June 30, 2023	September 30, 2022
Raw materials	\$ 17,693	\$ 12,187
Work in process inventory	2,216	2,717
Finished goods	3,948	3,739
	\$ 23,857	\$ 18,643

Inventory recognized as cost of revenues in the three months ended June 30, 2023 (2022) is \$8,394 (\$4,718). Inventory recognized as cost of revenues in the nine months ended is \$28,539 (\$9,502). No inventory provisions have been recognized in periods ended June 30, 2023 (2022).



## 7. Prepaid Expenses

The following table presents prepaid expenses as at:

	June 30, 2023		September 30, 2022	
Prepaid maintenance	\$	16,040	\$	18,924
Other prepaid expenses		7,940		4,856
	\$	23,980	\$	23,780
Current		15,949		23,780
Non-current		8,031		-
Total	\$	23,980	\$	23,780

## 8. Contract Assets and Liabilities

The following table presents net contract liabilities as at:

	Net Contract Liabilities			
	June 30, 2023		September 30, 2022	
Work in process	\$	22,746	\$	39,865
Unearned contract revenue (current)		(29,653)		(46,210)
Unearned contract revenue (non-current)		(12,567)		-
Net contract liabilities	\$	(19,474)	\$	(6,345)

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

	Changes in Net Contract Liabilities			
	June 30, 2023		September 30, 2022	
Opening balance, October 1	\$	(6,345)	\$	31,986
Net additions		71,414		84,000
Billings		(84,543)		(110,774)
Acquisitions (Note 23)		-		(11,557)
Ending balance	\$	(19,474)	\$	(6,345)

## 9. Equipment

A continuity of the equipment, application software and capitalized research and development for the nine months ended June 30, 2023 is as follows:

	Cost			Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Total	Depreciation	Accumulated Depreciation	June 30, 2023	September 30, 2022
Leasehold improvements	\$ 4,382	\$ 10	\$ 4,392	\$ (299)	\$ (2,203)	\$ 2,189	\$ 2,477
Building	-	1,321	1,321	-	-	1,321	-
Equipment	43,039	4,032	47,071	(4,644)	(33,322)	13,749	14,146
Total equipment & building	\$ 47,421	\$ 5,363	\$ 52,784	\$ (4,943)	\$ (35,525)	\$ 17,259	\$ 16,623
Application software	\$ 14,809	\$ 344	\$ 15,153	\$ (1,064)	\$ (5,477)	\$ 9,676	\$ 10,395
Capitalized research and development	\$ 5,052	\$ 86	\$ 5,138	\$ (903)	\$ (3,769)	\$ 1,369	\$ 2,186

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

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

	Nine months ended	
	June 30, 2023	June 30, 2022
Balance October 1	\$ 16,678	\$ 15,383
Additions	2,308	1,877
Disposals and foreign exchange adjustments	(318)	(142)
Depreciation	(3,149)	(2,679)
Acquisitions (Note 23)	-	2,705
Balance June 30	\$ 15,519	\$ 17,144

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:

	Nine months ended	
	June 30, 2023	June 30, 2022
Balance at October 1	\$ 19,035	\$ 17,478
Additions	2,267	1,892
Disposals and foreign exchange adjustments	(277)	(86)
Principal payments	(3,121)	(2,726)
Acquisitions (Note 23)	-	2,739
Balance at June 30	\$ 17,904	\$ 19,297
Current	\$ 4,313	\$ 3,860
Non-current	13,591	15,437
Total	\$ 17,904	\$ 19,297

The following table presents the contractual undiscounted cash flows for lease obligations as at June 30, 2023:

	Total Undiscounted Lease Obligations
Less than one year	\$ 4,744
One to five years	10,115
More than five years	4,571
Total undiscounted lease obligations	\$ 19,430

Total cash outflow for leases in the three months ended June 30, 2023 (2022) is \$1,338 (\$1,060), including principal payments relating to lease obligations of \$1,199 (\$966), interest expense on lease obligations is \$139 (\$94). Total cash outflow for leases in the nine months ended June 30, 2023 (2022) is \$3,493 (\$3,034), including principal payments relating to lease obligations of \$3,121 (\$2,726), interest expense on lease obligations is \$372 (\$308). Expenses relating to short-term leases recognized in general and administration expenses are \$41 (\$20) for the three months ended June 30, 2023 (2022) and \$137 (\$58) for the nine months ended June 30, 2023 (2022).

## 11. Investments

Cliniconex Inc., is an Ottawa-based patient outreach solutions vendor. During the years of 2017 to 2020, the Company invested a total \$569 in common and preferred shares of Cliniconex Inc., representing a minority interest. The Company recognizes the investment at fair value and has adjusted its common and preferred shares to the most recent fair value, resulting in a gain of \$101 recognized in fiscal 2020.

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

## 12. Acquired Intangible Assets

A continuity of the acquired intangible assets for the nine months ended June 30, 2023 is as follows:

	June 30, 2023			
	Opening Balance	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ (364)	\$ -	\$ 1,545
Customer relationships	39,689	(6,513)	(544)	32,632
Discrete contracts with customers & non-competition agreements	586	(246)	-	340
Technology and trademarks	14,903	(3,291)	-	11,612
	<u>\$ 57,087</u>	<u>\$ (10,414)</u>	<u>\$ (544)</u>	<u>\$ 46,129</u>

In the nine months ended June 30, 2023 the Company recorded a foreign currency revaluation of intangible assets held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

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

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

### 13. Goodwill

The following table presents the goodwill for the Company for the nine months ended June 30, 2023:

	June 30, 2023	
Opening balance, October 1	\$	145,959
Adjustments:		
Foreign Exchange		(761)
Ending balance, June 30	\$	145,198

In the nine months ended June 30, 2023 the Company recorded a foreign currency revaluation of goodwill held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

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

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

### 14. Accounts Payable and Accrued Liabilities

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

	June 30, 2023		September 30, 2022	
Trade accounts payable	\$	72,639	\$	91,652
Payroll accruals		17,100		21,960
Income tax payable		3,967		3,225
Other accruals		4,407		9,259
	\$	98,113	\$	126,096

### 15. Provisions

Changes in provisions for the nine months ended June 30, 2023 were as follows:

	Product			
	Warranties	Severance	Other	Total
Balance at October 1, 2022	\$ 897	\$ 248	\$ 104	\$ 1,249
Additions	472	439	4	915
Utilization/Reversals	(521)	(414)	(7)	(942)
Balance at June 30, 2023	\$ 848	\$ 273	\$ 101	\$ 1,222

## 15. Provisions (continued)

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

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

## 16. Debt Agreement

On January 6, 2021, the Company signed a debt facility that provides the Company with the ability to draw up to \$80,000 CAD. The agreement has a three-year term, which will mature on January 5, 2024. In the three months ended June 30, 2023, the company settled the liability. At June 30, 2023 (September 30, 2022), the Company utilized \$Nil (\$7,500) of the facility. The facility is secured against the Company's assets and is interest bearing at the Royal Bank of Canada's Prime Rate plus applicable margin.

## 17. Issued Capital and Reserves

### Issued Capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per share at the meetings of holders of Common Shares and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. No Preferred Shares are outstanding as of the June 30, 2023.

Common share issued and outstanding:

	June 30, 2023		June 30, 2022	
	Shares	Amount	Shares	Amount
Balance October 1	11,607,391	\$ 213,277	11,285,828	\$ 194,960
Shares issued under employee share plans	47,640	2,027	41,742	1,773
Shares issued under employee share purchase plan	37,192	2,252	26,307	1,778
Shares issued through acquisition	47,876	2,844	-	-
Issued capital	11,740,099	\$ 220,400	11,353,877	\$ 198,511

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

### Contributed Surplus

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

## 18. Share-Based Compensation

### Employee Share Purchase Plan

Under the Company's Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of June 30, 2023, the Company can issue 377,480 shares.

During the three months ended June 30, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 12,460 (6,755) shares at an average price of \$62.15 (\$68.38). The Company received \$620 (\$375) in proceeds and recorded an expense of \$166 (\$124). During the nine months ended June 30, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 37,192 (26,307) shares at an average price of \$61.71 (\$61.06). The Company received \$1,836 (\$1,216) in proceeds and recorded an expense of \$467 (\$354).

### 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% (1,056,609) of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company.

As at June 30, 2023, the Company has 417,083 stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 639,526 additional stock options or RSUs pursuant to the plan.

The weighted average fair value of options granted during the nine months ended June 30, 2023 was \$14.26 per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuances and adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting.

The following assumptions were used to determine the fair value of the options granted in the nine months ended June 30, 2023:

	Weighted Average Options Granted			
	June 30, 2023		June 30, 2022	
Grant date share price	\$	60.44	\$	58.96
Exercise price	\$	60.43	\$	58.96
Expected price volatility	%	31.74	%	28.45
Expected option life	yrs	3.33	yrs	3.18
Expected dividend yield	%	1.89	%	1.98
Risk-free interest rate	%	3.66	%	1.19
Forfeiture rate	%	0	%	0

## 18. Share-Based Compensation (continued)

	June 30, 2023		June 30, 2022	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	220,800	\$ 52.22	204,913	\$ 49.46
Exercised	(19,000)	31.50	(20,759)	42.34
Forfeited	(926)	60.43	-	-
Granted	23,542	60.43	40,646	58.96
Outstanding June 30	224,416	\$ 54.80	224,800	\$ 51.83

The following share-based payment arrangements are in existence:

Option issuance:	Number of Options	Grant date	Expiry date	Exercise price	Fair value at grant date
(1) Issued November 19, 2018	27,500	November 19, 2018	November 19, 2023	\$ 29.55	\$ 3.96
(2) Issued November 25, 2019	15,000	November 25, 2019	November 25, 2024	\$ 36.49	\$ 5.18
(3) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	\$ 60.30	\$ 8.44
(4) Issued November 24, 2020	22,222	November 24, 2020	November 24, 2025	\$ 61.16	\$ 10.24
(5) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	\$ 60.35	\$ 9.92
(6) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	\$ 58.90	\$ 10.66
(7) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	\$ 60.55	\$ 10.33
(8) Issued November 24, 2022	21,430	November 24, 2022	November 24, 2027	\$ 60.43	\$ 14.26
(9) Issued February 15, 2023	1,186	February 15, 2023	February 15, 2028	\$ 60.44	\$ 14.20

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

At June 30, 2023 (2022) the weighted average remaining contractual life of options outstanding is 2.08 (2.33) years of which 224,416 (158,484) options are exercisable at a weighted average price of \$54.80 (\$59.74). The Company has recorded \$76 (\$117) of share-based compensation expense in the three months ended and \$271 (\$358) in the nine months ended June 30, 2023 (2022) related to the options that have been granted. At June 30, 2023 (2022) the Company has total unrecognized compensation expense of \$136 (\$192) that will be recorded in the next two fiscal years.

### Restricted Share Units:

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

## 18. Share-Based Compensation (continued)

The following table summarizes information about the RSUs as of June 30, 2023:

	June 30, 2023		June 30, 2022	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	56,517	\$ 49.40	40,824	\$ 46.65
Exercised	(28,640)	46.87	(20,983)	42.35
Forfeited	(23,842)	50.72	(482)	51.54
Granted	188,632	59.18	35,601	48.10
Outstanding June 30	192,667	\$ 59.19	54,960	\$ 49.09

Of the units issued in the current year under the RSU plan, \$Nil has vested as of June 30, 2023. The Company has recorded \$354 (\$367) of share-based compensation expense in the three months and \$1,141 (\$1,018) in the nine months ended June 30, 2023 (2022) related to the RSUs that have been granted. At June 30, 2023 (2022) the Company has total unrecognized compensation expense of \$1,364 (\$1,293) that will be recorded over the next two years.

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

RSU issuance:		Number of units	Grant date	Vest through	Fair value at grant date
(1) Issued November 24, 2020	RSU	5,559	November 24, 2020	November 15, 2023	\$ 59.35
(2) Issued February 9, 2021	RSU	81	February 9, 2021	November 15, 2023	\$ 59.74
(3) Issued May 12, 2021	RSU	194	May 12, 2021	November 15, 2023	\$ 56.32
(4) Issued August 10, 2021	RSU	16	August 10, 2021	November 15, 2023	\$ 63.25
(5) Issued November 24, 2021	RSU	13,659	November 24, 2021	November 15, 2024	\$ 58.90
(6) Issued Feb 9, 2022	RSU	53	February 9, 2022	November 15, 2024	\$ 57.18
(7) Issued May 10, 2022	RSU	558	May 10, 2022	November 15, 2024	\$ 67.34
(8) Issued Aug 10, 2022	RSU	331	August 10, 2022	November 15, 2024	\$ 66.60
(9) Issued September 14, 2022	RSU	647	September 14, 2022	November 15, 2024	\$ 56.10
(10) Issued November 24, 2022	RSU	28,784	November 24, 2022	November 15, 2025	\$ 59.18
	PSU	142,785	November 24, 2022	November 15, 2025	\$ 59.18

### Deferred Share Unit Plan

At June 30, 2023 (2022) the Company has 36,560 (17,640) Deferred Share Units ("DSU") outstanding, of which 19,616 (15,756) have vested, and the remainder will vest until May 2026. The Company recorded share-based compensation of \$209 (\$171) related to the DSUs in the three months ended and \$579 (\$466) in the nine months ended June 30, 2023 (2022). Each DSU entitles the participant to receive the value of one Common Share at the time of vesting. Vesting of the share units are based on service intervals or held until termination of service.

There are 19,616 (15,756) vested DSUs outstanding at June 30, 2023 (2022). The fair value of the DSUs outstanding at June 30, 2023 (2022) was \$56.15 (\$57.70) per unit using the fair value of a Common Share at period end.



## 19. Revenue

The following table presents the revenue of the Company for the three and nine months ended June 30, 2023 and 2022:

	Three Months Ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>Product revenue</b>				
Advanced Technologies	\$ 27,050	\$ 25,249	\$ 73,931	\$ 77,017
Learning	1,984	1,324	4,668	2,089
ITCS	12,275	16,592	31,885	25,431
<b>Total product revenue</b>	<b>\$ 41,309</b>	<b>\$ 43,165</b>	<b>\$ 110,484</b>	<b>\$ 104,537</b>
<b>Service revenue</b>				
Advanced Technologies	\$ 17,727	\$ 13,903	\$ 51,911	\$ 42,864
Health	49,152	39,841	133,288	127,671
Learning	24,757	20,935	77,296	67,780
ITCS	33,605	32,174	109,656	78,770
<b>Total service revenue</b>	<b>\$ 125,241</b>	<b>\$ 106,853</b>	<b>\$ 372,151</b>	<b>\$ 317,085</b>
<b>Total revenue</b>	<b>\$ 166,550</b>	<b>\$ 150,018</b>	<b>\$ 482,635</b>	<b>\$ 421,622</b>

### Remaining Performance Obligations

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at June 30, 2023 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	June 30, 2023
Less than 24 months	\$ 440,161
Thereafter	117,713
<b>Total</b>	<b>\$ 557,874</b>

## 20. Net Profit per Share

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

	Three months ended		Nine months ended	
	June 30		June 30	
	2023	2022	2023	2022
Weighted average number of common shares – basic	11,732,711	11,350,214	11,689,528	11,325,096
Additions to reflect the dilutive effect of employee stock options and RSUs	51,799	69,104	35,276	51,551
<b>Weighted average number of common shares – diluted</b>	<b>11,784,510</b>	<b>11,419,318</b>	<b>11,724,804</b>	<b>11,376,647</b>

## 20. Net Profit per Share (continued)

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted net profit per share. For the three months ended June 30, 2023 (2022), 44,838 (1,536) options and Nil (25,754) RSUs were excluded from the above computation. For the nine months ended June 30, 2023 (2022), 22,616 (1,536) options and Nil (2,255) RSUs were excluded from the above computation.

## 21. Segmented Information

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

The Company evaluates performance and allocates resources based on profit before undernoted items.

For the three months ended June 30, 2023:

For the three months ended June 30, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 44,777	\$ 49,152	\$ 26,741	\$ 45,880	\$ -	166,550
<b>Cost of revenues</b>	29,141	35,789	20,185	30,328	-	115,443
<b>Gross profit</b>	15,636	13,363	6,556	15,552	-	51,107
<b>Gross profit %</b>	35 %	27 %	25 %	34 %	N/A %	31 %
Selling and marketing	3,071	538	405	6,431	1,446	11,891
General and administration	3,476	3,623	1,507	5,414	7,417	21,437
Research and development	1,979	177	808	309	-	3,273
<b>Profit before under noted items</b>	\$ 7,110	\$ 9,025	\$ 3,836	\$ 3,398	\$(8,863)	14,506
Profit before under noted items %	16 %	18 %	14 %	7 %	N/A %	9 %
Depreciation of equipment, application software and R&D						2,361
Depreciation of right of use asset						1,127
Amortization of acquired intangibles						3,603
Deemed compensation						-
Changes in fair value related to contingent earn-out						138
<b>Profit before interest income and income tax expense</b>						7,277
Lease interest expense						139
Interest income						(254)
<b>Profit before income tax expense</b>						7,392
Income tax expense – current						2,930
Income tax recovery – deferred						(211)
<b>Total income tax expense</b>						2,719
<b>NET PROFIT FOR THE PERIOD</b>						\$ 4,673

## 21. Segmented Information (continued)

For the three months ended June 30, 2022:

For the three months ended June 30, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 39,152	\$ 39,841	\$ 22,259	\$ 48,766	- \$	150,018
<b>Cost of revenues</b>	27,927	30,709	16,400	29,479	-	104,515
<b>Gross profit</b>	11,225	9,132	5,859	19,287	-	45,503
<b>Gross profit %</b>	29 %	23 %	26 %	40 %	N/A %	30 %
Selling and marketing	2,486	544	354	4,880	1,290	9,554
General and administration	2,194	2,475	1,258	6,017	6,050	17,994
Research and development	1,278	106	-	435	-	1,819
<b>Profit before under noted items \$</b>	5,267	6,007	4,247	7,955	(7,340)	16,136
Profit before under noted items %	13 %	15 %	19 %	16 %	N/A %	11 %
Depreciation of equipment, application software and R&D						2,237
Depreciation of right of use asset						978
Amortization of acquired intangibles						3,351
Deemed compensation						-
Changes in fair value related to contingent earn-out						651
<b>Profit before interest income and income tax expense</b>						8,919
Lease interest expense						94
Interest expense						142
<b>Profit before income tax expense</b>						8,683
Income tax expense – current						2,172
Income tax recovery – deferred						(325)
Total income tax expense						1,847
<b>NET PROFIT FOR THE PERIOD</b>						\$ 6,836

## 21. Segmented Information (continued)

For the nine months ended June 30, 2023:

For the nine months ended June 30, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 125,842	\$ 133,288	\$ 81,964	\$ 141,541	\$ -	\$ 482,635
<b>Cost of revenues</b>	84,632	99,782	60,612	89,193	-	334,219
<b>Gross profit</b>	41,210	33,506	21,352	52,348	-	148,416
<b>Gross profit %</b>	33 %	25 %	26 %	37 %	N/A %	31 %
Selling and marketing	8,920	1,540	1,395	18,987	4,023	34,865
General and administration	9,496	8,968	4,249	15,135	21,481	59,329
Research and development	5,604	338	2,253	421	-	8,616
<b>Profit before under noted items</b>	\$ 17,190	\$ 22,660	\$ 13,455	\$ 17,805	\$ (25,504)	\$ 45,606
<b>Profit before under noted items %</b>	14 %	17 %	16 %	13 %	N/A %	9 %
Depreciation of equipment, application software and R&D						6,910
Depreciation of right of use asset						3,149
Amortization of acquired intangibles						10,414
Deemed compensation						147
Changes in fair value related to contingent earn-out						3,442
<b>Profit before interest income and income tax expense</b>						21,544
Lease obligations interest expense						372
Interest income						(269)
<b>Profit before income tax expense</b>						21,441
Income tax expense – current						9,143
Income tax recovery – deferred						(1,468)
Total income tax expense						7,675
<b>NET PROFIT FOR THE PERIOD</b>						\$ 13,766

## 21. Segmented Information (continued)

For the nine months ended June 30, 2022:

For the nine months ended June 30, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 119,881	\$ 127,671	\$ 69,869	\$ 104,201	\$ -	\$ 421,622
<b>Cost of revenues</b>	86,723	96,149	51,465	68,209	-	302,546
<b>Gross profit</b>	33,158	31,522	18,404	35,992	-	119,076
<b>Gross profit %</b>	28 %	25 %	26 %	35 %	N/A %	28 %
Selling and marketing	6,460	1,730	947	7,305	3,008	19,450
General and administration	7,049	7,518	3,563	11,007	19,267	48,404
Research and Development	3,509	296	-	552	-	4,357
<b>Profit before under noted items</b>	\$ 16,140	\$ 21,978	\$ 13,894	\$ 17,128	\$ (22,275)	\$ 46,865
<b>Profit before under noted items %</b>	13 %	17 %	20 %	16 %	N/A %	11 %
Depreciation of equipment, application software and R&D						4,666
Depreciation of right of use asset						2,679
Amortization of acquired intangibles						17,071
Deemed compensation						1,000
Changes in fair value related to contingent earn-out						3,266
<b>Profit before interest income and income tax expense</b>						18,183
Lease obligations interest expense						308
Interest expense						288
<b>Profit before income tax expense</b>						17,587
Income tax expense – current						8,657
Income tax recovery – deferred						(3,479)
Total income tax expense						5,178
<b>NET PROFIT FOR THE PERIOD</b>						\$ 12,409

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the nine months ended June 30, 2023 (2022) are attributed as follows:

	June 30, 2023	June 30, 2022
Canada	71 %	67 %
United States	20 %	20 %
Europe	8 %	11 %
Other	1 %	2 %

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 nine months ended June 30, 2023 (2022) represented 49% (49%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

## 22. Financial Instruments and Risk Management

### Capital Risk Management

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

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

#### *Foreign Currency Risk Related to Contracts*

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities, contingent earn-out and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of its foreign currency exposures within entities operating in currencies outside of their functional currencies. The Company's objective is to manage and control exposure and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge its foreign currency exposure where it is most practical to do so. The Company hedges long term projects in foreign currencies. Other foreign currency exposure is evaluated on an individual basis to assess the associated risks and costs to hedge. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

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

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

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its US subsidiary is the US Dollar ("USD"), the functional currency of its German subsidiary is the European Euro ("EUR"), the functional currency of its Norwegian subsidiary is

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

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 US operations, German operations, Norwegian operations, and U.K. operations are first expressed in the Companies’ USD, EUR, NOK and GBP functional currencies, respectively, using exchange rates prevailing at the reporting date which are then translated into the Company’s reporting currency using prevailing rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Translation differences are recognized in other comprehensive income and recorded in the “cumulative translation adjustment”.

At June 30, 2023, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value June 30, 2023
BUY	\$ 13,418	USD	July 2023	\$ 17,761	\$ 32
SELL	4,063	EURO	July 2023	5,885	7
<b>Derivative assets</b>					<b>\$ 39</b>
SELL	\$ 62,480	USD	July 2023	\$ 82,701	\$ (146)
BUY	6,747	EURO	July 2023	9,772	(12)
<b>Derivative liabilities</b>					<b>\$ (158)</b>

A 10% strengthening of the Canadian dollar against the following currencies at June 30, 2023 would have decreased other comprehensive income as related to the forward foreign exchange contracts or subsidiaries operating outside of the Company’s presentation currency by the amounts shown below.

	June 30, 2023
USD	\$ (5,281)
EURO	527
GBP	65
NOK	179
<b>Total</b>	<b>\$ (4,510)</b>

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

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

	June 30, 2023	
USD	\$	4,476
GBP		(4)
EURO		209
SEK		29
NOK		29
<b>Total</b>	<b>\$</b>	<b>4,739</b>

### Credit Risk

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

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are diverse, however a significant portion of them are federal or provincial government agencies, or large private entities. A significant portion of the Company's accounts receivable is from long-time customers. At June 30, 2023 (2022), 38% (22%) of its accounts' receivable was due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not incurred any significant credit related losses.

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

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

	June 30, 2023	September 30, 2022
Cash and cash equivalents	\$ 40,988	\$ 42,646
Accounts receivable	161,090	171,453
Derivative assets	39	123
<b>Total</b>	<b>\$ 202,117</b>	<b>\$ 214,222</b>

The aging of accounts receivable at the reporting date was:

	June 30, 2023	September 30, 2022
Current	\$ 151,034	\$ 159,412
Past due (61-120 days)	6,641	6,378
Past due (> 120 days)	3,415	5,663
<b>Total</b>	<b>\$ 161,090</b>	<b>\$ 171,453</b>



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

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At June 30, 2023, the Company has a secured debt facility that matures on January 5, 2024 that allows the Company to draw up to \$80,000 CAD. As at June 30, 2023, the Company had \$40,988 cash on hand and \$Nil was drawn on the facility for current operations and for temporary use through acquisitions, and \$Nil was drawn to issue letters of credit to meet customer contractual requirements.

### Fair Value

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on June 30, 2023 and represents the difference between the hedge rate and the exchange rate at the end of the reporting period.

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

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

	June 30, 2023		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 40,988	\$ -	\$ -
Investments	-	-	3,359
Derivative assets	-	39	-
Contingent earn-out	-	-	(21,968)
Derivative liabilities	-	(158)	-
<b>Total</b>	<b>\$ 40,988</b>	<b>\$ (119)</b>	<b>\$ (18,609)</b>

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

There were no transfers between Level 1, Level 2 and level 3 during the three months ended June 30, 2023.

## 23. Acquisitions

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

On January 30, 2020, the Company acquired all the outstanding shares of Alio/Allphase for a purchase price of up to \$25,056. Of this amount, \$10,500 was paid in cash on the date of closing, \$56 was paid in cash on settlement of net equity, \$2,500 was paid in common shares, and \$12,000 is payable contingently, of which \$3,000 is included in the initial accounting of the purchase price. Alio/Allphase provides clinical trial services, specialty medication support and community care and other services and is reported as a part of the Health operating segment.

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

The Company recognized an additional \$60 of expense in the nine-months ended June 30, 2023, related to changes in fair value of contingent earn out. All amounts are to be settled in the fourth quarter of 2023.

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

On September 3, 2020, the Company acquired all the outstanding shares of Tallysman for a purchase price of up to \$25,354. Of this amount, \$16,654 was paid in cash on the date of closing, and \$8,700 is payable contingently. Tallysman designs, manufactures and sells a very wide range of Global Navigation Satellite System, Iridium and Globalstar antennas and related products into a market with a broad range of vertical applications that include precision reference systems, survey, timing, precision agriculture, unmanned and autonomous vehicles, marine and many more. 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 August 31, 2021 and December 31, 2022, respectively. The first year target was achieved and paid in the prior fiscal year.

The second year target was achieved in full as at December 31, 2022, with overachievement. This has resulted in additional bonus to key individuals involved in the business in the amount of \$100 recognized in deemed compensation in the nine-months ended June 30, 2023, with an additional \$763 recognized in fiscal 2022. The Company also recognized Nil in the three-months and \$102 in the nine-months ended June 30, 2023, related to changes in fair value of contingent earn out. All amounts are settled and paid as at June 30, 2023.

### 23. Acquisitions (continued)

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

On October 30, 2020, the Company acquired the outstanding shares of Cadence for total cash consideration of up to 2,000 Pound Sterling (\$3,518 CAD) of which, £1,100 (\$1,966 CAD) was paid on closing, and £900 (\$1,552 CAD) is payable contingently. Cadence is a UK based training firm with operations across the NATO with a particular focus on the Joint Forces Training Centre (JFTC). Cadence was acquired to expand the Company’s work with NATO which was initially won with the acquisition of CTS in July of fiscal 2020. Cadence is reported as part of the Learning operating segment.

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

#### Dapasoft Inc. (“Dapasoft”)

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

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

### 23. Acquisitions (continued)

The Company recognized Nil in the three-months and \$429 in the nine-months ended June 30, 2023, related to changes in fair value of contingent earn out.

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

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

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

The Company recognized \$138 in the three-months and \$414 in the nine-months ended June 30, 2023 related to changes in fair value of contingent earn out.

### 24. Contingent Earn-Out

The following shows the contingent consideration activity for the nine months ended June 30, 2023:

Company Acquired	Beginning balance	Acquisition Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	\$ 1,860	\$ -	\$ -	\$ 2,272	\$ 4,192
Tallysman Wireless	5,411	-	(5,613)	100	-
Cadence	75	-	(287)	47	-
Dapasoft	15,758	-	(1,511)	-	14,676
SimFront	5,446	-	(2,760)	-	3,100
<b>Total</b>	<b>\$ 28,550</b>	<b>\$ -</b>	<b>\$ (10,171)</b>	<b>\$ 2,419</b>	<b>\$ 21,968</b>

As at June 30, 2023, the total gross value of all contingent consideration outstanding is \$22,107. Included in the adjustments column in the table are amounts from deemed compensation, along with changes in estimated payment amounts to make under contingent earn out estimates.

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

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

## **25. Subsequent Events**

On March 9, 2023, the Company entered into a definitive agreement to acquire the assets of Hawaii Pacific Teleport (“HPT”) a US-based provider of independent teleport and satellite communications solutions, for total cash consideration of approximately \$46,000 USD (approximately \$62,000 CAD) including earnouts of up to \$11,000 USD (approximately \$15,000 CAD) based on the achievement of certain levels of EBITDA performance over the next 24 months. This transaction was completed on August 1, 2023. HPT will be reported as part of the Advanced Technologies operating segment.

On July 24, 2023 Calian signed an \$180,000 debt agreement with Royal Bank of Canada, Desjardins Capital Markets, Canadian Imperial Bank of Commerce and Bank of Montreal. The agreement matures July 24, 2026, has an accordion of \$70,000 and replaces the existing credit line with Royal Bank of Canada and Desjardins Capital Markets.