



2021 Annual Report

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# Chair's Letter



With world markets facing ongoing uncertainty, Calian Group Ltd. (TSX:CGY) continued to show impressive growth and solid financial performance, powered by the long-term vision of senior

leadership, and supported by a capable, dedicated team. Through a focused strategy that emphasizes diversification and innovation, Calian continued to grow its services, products and workforce, despite the formidable challenges of the current business environment, reporting record results for the year.

Despite the worsening situation with COVID-19 and subsequent variants, the company's diversity as well as the essential services and solutions provided to Calian customers was a major factor in our performance. Where one segment encountered delays, another picked up, keeping us profitable throughout the year. Having that diversity gave Calian stability, while innovation in all operating segments—and specifically the Health segment—allowed the company to deliver critical health services, such as vaccinations, during the pandemic.

Reflecting the company's record annual revenue of \$518 million—a 20 per cent increase over 2020—Calian share price remained healthy. With EBITDA increasing by 41% and adjusted net income growth of 58%, Calian has posted solid results for the year.

Calian has continued to pay a stable dividend of \$0.28 per quarter, returning a total of \$11.8 million to shareholders through the year, which the company finished having now reported consecutive profitable quarters for 20 straight years.

Customer diversification saw non-government contracts rise to become just under 50 percent of Calian business, while acquisitions gained momentum, bringing new customers, expertise and capabilities.

Our balance sheet remained strong in 2021, and our combination of cash and debt availability and the renegotiation of our credit facility filled the engine to allow us to move forward with acquisitions, R&D and our aggressive innovation agenda. We completed the largest acquisition in the company's history, with the purchase of Dapasoft and its subsidiary, iSecurity. This acquisition presents opportunities for Calian to continue to develop more innovative products and services to answer the increasing demand for sophisticated IT, cybersecurity and healthcare solutions.

We welcomed a new board member this year. Ronald Richardson, who replaced Rich Vickers when he retired. Ronald adds to our competency base, especially in the areas of advanced technologies, software and start-ups.

The Calian senior leadership team, under the strong guidance of Kevin Ford, has successfully steered the company through a rapidly changing environment over the past two years. This leadership team worked tirelessly with employees to achieve record profitable growth, leading to several "firsts" this year, including making the FP500 for the first time and passing the half-billion-dollar revenue mark for the first time in the company's history. Our second and third quarter results showed some of the largest revenues we've ever had.

Social responsibility continues to be a vital part of the Calian mission, and the board has been involved in overseeing the development of a reporting framework aligned with the achievement of globally recognized ESG standards. Our mission to help the world communicate, innovate, learn and lead safe and healthy lives translates into a belief in our responsibility to use the tools we have to improve people's lives, while achieving sustainable, profitable growth.

The work we do with Indigenous groups is especially important as we marked the first National Day for Truth and Reconciliation on September 30th. Calian provided sponsorship funding and volunteers for Remember Me: A National Day of Remembrance, hosted by the Indigenous Arts Collective of Canada and Every Child Matters. Other initiatives included distributing care packages to Nunavut families who were in quarantine during holidays, participating in the Operation Remote

Immunity delivery of vaccines to remote communities in northern Ontario, and delivering nursing and healthcare services to communities in Nunavut. In addition, Calian is working on a strategy that is based on engaging with Indigenous partners to gain feedback and incorporate their perspectives, improving awareness of Indigenous perspectives and leveraging our capacity to support Indigenous-led solutions to Indigenous challenges.

Our work with military families continues. Through our Military Family Doctors Network (MFDN), Calian has referred 3,450 military family members to doctors and initiated two new pilot projects involving patient support for military family members. Calian also provided a \$40K contribution to military and veteran research through the Canadian Institute for Military and Veteran Health Research. These are just some of the initiatives Calian has undertaken to support veterans and military families.

At the end of my first full year as Chair, I look forward to seeing Calian navigate some of the obstacles that continue to face all companies in today's business environment. It will be important to continue the momentum and to retain and recruit the necessary talent to keep moving forward. Sustaining momentum and profitable growth in spite of market headwinds is a challenge—one I'm confident the company is well positioned to overcome. I'm optimistic about the future for Calian and am convinced that the next few years will see it become an innovation powerhouse with unlimited potential.



**George Weber**  
Chair



**Military Family Doctors Network (MFDN):** Calian has referred 3,450 military family members to doctors and initiated two new pilot projects involving patient support for military family members.

# Message from the CEO



**Kevin Ford**  
CEO, Calian Group Ltd.

As I look back on another challenging year, I'm proud of, and grateful to, the incredible Calian team for all the hard work they did to achieve another record year. As CEO, I'm always in awe of this team's dedication, strength and perseverance under difficult circumstances.

We've been running a marathon for the past 18 months through this pandemic, and I've been impressed by our capacity to sprint, this far into the marathon. Our ability to support our customers' operations throughout the pandemic has demonstrated our strength and the critical nature of everything we do, from responding quickly to urgent needs in healthcare to facilitating emergency management in remote communities.

I'm pleased to report that we posted record 2021 revenues and with our fourth quarter results celebrated 80 consecutive profitable quarters. That's 20 years! We achieve these results by being valued partners to our customers and by executing on our four-pillar

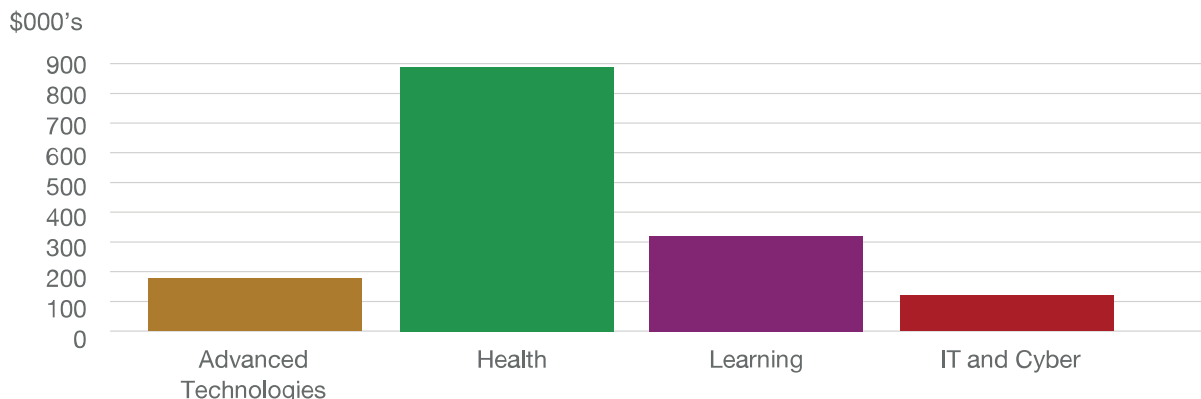
growth strategy. Through a combination of strategic acquisitions, innovative solutions and diversification, we were able to increase our customer base in Canada and expand into eight new international markets, providing critical services in healthcare and remote learning, among others. Three important acquisitions have been key to our growth and customer expansion this year. These acquisitions, alongside our ability to provide an effective, nimble response to changing needs in the markets we already serve, have helped us on our journey to becoming an innovative global growth company. And with operations slowly returning to pre-pandemic levels, I'm confident in our ability to maintain our pace of growth and profitability for the long term.

Our focus on stability through diversity and growth through innovation informs the way we operate and guides the decisions we make. Our performance this year is a reflection of our unwavering commitment to this strategy. In 2021, Calian reached an important milestone, recording annual revenue of \$518 million and adjusted EBDITA of \$52 million. This represents an annual growth rate of 20% and 41%, respectively, and the half-way mark on our way to becoming a \$1-billion company.

Calian benefits from the diversity of solutions, products and services in our four distinct segments, but it's the execution of our four-pillar growth strategy across those four segments that really drives our growth. We are living every element of our strategy: customer diversification, customer retention, innovation and continuous improvement.

We are diversifying our customer base with expansion into Europe and developing new technologies for

## Backlog



new markets. We've retained customers by delivering consistently, despite challenges and evolving mandates. With each acquisition, we absorb more experience, expertise and technology into our four segments.

We continue to innovate with new technologies and solutions. Of particular interest is an agreement with a manufacturer of electric vehicles to supply two products for their upcoming range. The Global Navigation Satellite System (GNSS) Smart Power Splitter and the Accutenna® GNSS antennas will be deployed in electric delivery vehicles, and the Accutenna GNSS antennas will be deployed in the manufacturer's consumer models. This contract represents a significant expansion into the automotive sector and signals our commitment to continued innovation and growth in the space.

The integration of EMSEC into the Calian IT and Cyber Solutions segment this year opened myriad opportunities for expansion in key areas of cybersecurity, helping to diversify our customer base. Investments in Advanced Technologies fuelled innovation and healthy growth for that segment, which expanded its portfolio of products and solutions.

Two important projects we've been working on this year will affect Calian for years to come and reflect our commitment to continuous improvement. The first is the implementation of a new enterprise resource planning (ERP) platform to support scaling our back office as we grow. I'm looking forward to the improvements in efficiency that will come from having one integrated system across the enterprise. The other is our branding exercise, aimed at solidifying all the Calian entities under one unified brand with a common mission, vision and goal.

The acquisition of Dapasoft Inc. represents the company's largest acquisition to date. Through Dapasoft, we have expanded the services Calian can offer in healthcare technology and cybersecurity and opened new opportunities where these two segments intersect. This acquisition will help to fuel the next chapter of growth for Calian and augment our capacity to deliver cutting-edge healthcare, IT and cybersecurity solutions to our clients, at a time when demand for all these services is increasing.

Two other exciting acquisitions, Cadence and InterTronic Solutions, rounded out 2021. Cadence, located in the United Kingdom, will allow Calian to further expand our learning solutions in Europe. InterTronic Solutions



**The acquisition of Dapasoft Inc. represents the company's largest acquisition to date.** Through Dapasoft, we have expanded the services Calian can offer in healthcare technology and cybersecurity and opened up new opportunities where these two segments intersect.

brings new assets in the satellite ground system market and facilitates our entry into the North American space exploration and defence sector. Our recent acquisition of SimFront provides technology assets to our Learning segment, strengthening our ability to offer customers innovative learning solutions.

I'm especially proud of the role Calian has played in the response to the COVID-19 pandemic, which aligns with part of our mission to help people lead healthy lives and stay safe. During 2021, we vaccinated more than 300,000 Canadians at 21 pop-up clinics. Our work with Indigenous communities has the potential to improve the health of underserved Canadians. Calian administered the COVID-19 vaccine in 31 fly-in northern locations to Indigenous community members and residents of First Nations elder care homes. Calian also embarked on a project with Indigenous Services Canada to provide COVID-19 screening and paramedic services to improve health and safety in Indigenous communities. Another health project with the Government of Nunavut to provide telehealth services is part of the territory's long-term pandemic preparedness strategy. Through this initiative, Calian manages a virtual COVID-19 program across the territory of Nunavut.

In July, we announced the appointment of Sacha Gera as president of IT and Cyber Solutions (ITCS). He succeeds Sandra Cote, who retires at the end of the year. I am grateful for Sandra's valuable contributions over the years. Under her leadership, the segment flourished, doubling in size and evolving from a services business to a cyber and cloud solutions business. While I'm sorry to see her retire, I'm excited to see Sacha's vision for ITCS taking shape. His technology background and experience in professional services and SaaS provide an excellent mix for our ITCS business and I'm confident that he has the skills and knowledge to take the ITCS business to new heights.

Our environmental, social and governance (ESG) and corporate social responsibility (CSR) initiatives are always close to my heart, and I believe that the social impact Calian has is just as important as our business impact. Our mission—to help the world communicate, innovate, learn and lead safe and healthy lives—is much more than just a statement. It's at the core of everything we do. Through our military family doctor network (MFDN), Calian has matched more than 3,450 military

family members with physicians. We've operated vaccine clinics and testing sites throughout Canada and in remote Indigenous communities to boost immunity and keep their members healthy.

This year, we began the process of defining our long-term ESG strategy, aligned with the 17 goals of the United Nations 2030 Agenda for Sustainable Development. These will include facility programs to reduce our carbon footprint, environmental management, employee diversity, health and safety initiatives, COVID-19 response, continued support for Indigenous communities and military families, and annual corporate giving.

A major component of our company performance in 2021 was the dedication and hard work of the healthcare and essential workers in our ranks. We owe them a debt of gratitude for continuing to show up and perform in difficult circumstances, and sometimes at great personal sacrifice. Considering the exceptional performance of Calian Health this year, these workers deserve special thanks.

I'd also like to recognize the contributions of every single Calian employee, including our many contractors, who have demonstrated integrity and commitment through another year of global uncertainty. They are living our core values of integrity, teamwork, innovation and customer commitment, and they are the reason Calian continues to grow profitably every year.

The world still has some turbulence ahead, with uncertainty about the pandemic and its disruptions to supply chains, cost increases and talent shortages. I'm grateful to our shareholders for continuing to believe in us and for trusting us to deliver on our strategy to become an innovative global growth company.

We unveiled our new Calian tagline this year: Confidence. Engineered. These words describe our position and define our approach going forward. We are confident in our people, services and products, and we are continuing to innovate and build technology that keeps the world moving forward.



**Kevin Ford**  
CEO

# 2021 Segment Highlights

## Advanced Technologies

The Advanced Technologies segment focused on growth through strategic acquisitions, new contracts and entry into new markets throughout 2021, while ensuring continuity of service for our existing customers as the pandemic continued to test the resilience of businesses on a global scale.

Customers seeking to increase momentum in their service offerings relied on our team to make the technology advancements they needed to offer a new generation of services to their customers. While work continued integrating new acquisitions, additional investment in cutting edge technologies to support organic growth contributed to a strong year for the Advanced Technologies team.

The challenges faced during the COVID-19 pandemic created headwinds for our satellite RF ground systems, requiring us to work closely with our customers and our supply chain to ensure uninterrupted service. As global satellite network operators, our customers provide essential communications infrastructure, which made access to the internet even more critical during the pandemic. Thus, the services and solutions we provide to them are also considered essential. Our efforts in early 2021 focused on maintaining workflow and minimizing service interruptions for these customers. These efforts included enhanced close contact with supply chains, remote working for most staff, and implementation of health and safety measures at the manufacturing facilities, including staggered shifts, dispersed workstations and increased cleaning and sanitation. This was in addition to navigating the ever-changing restrictions placed on our installation crews travelling to sites around the world.

While challenging, these measures ensured most of the work was able to continue safely and without any major interruptions. Supply chain disruptions posed a significant hurdle throughout the year. Meeting our obligations to our customers in this complicated environment came with increased costs that could not always be passed on to our customers. In addition,

the technical challenges involved with deploying state-of-the-art, high frequency RF ground solutions were greater than expected as the team worked steadily to resolve these issues.

This year saw continued evolution of our products business. The introduction of the Decimator D4 spectrum analyser, which spurred a record quarter of sales, is a great example of progress we are making in evolving our products to meet market demands. This fourth generation of Calian low-cost spectrum analyzer is designed to monitor and analyze satellite and terrestrial wireless radio frequency (RF) communications signals. New test platform developments will set the stage for additional growth. In January, Calian acquired InterTronic Solutions Inc. (“InterTronic”), a Canadian-based RF ground systems manufacturer that specializes in state-of-the-art, high precision antenna solutions. InterTronic incorporates high-accuracy, high-speed motion systems in their antennas that are used by military, scientific and commercial customers. Applications of InterTronic solutions include radio astronomy, radar, electronic warfare, deep space and satellite communications.

The addition of InterTronic to Calian satellite and space ground systems business, in combination with our composites antenna product line, allows Calian to create a broader set of our own antenna solutions for our customers. Through this, we will offer our customers differentiators—be it lower cost, better accuracy or higher performance—depending on the application, but also have more control of the competitive value chain of the RF ground solutions that we provide.

Calian has established itself as a satellite operations centre of excellence with its group of highly trained and experienced engineers and technicians who operate at the Canadian Space Agency’s headquarters in Saint-Hubert, QC. The major win of a multi-year contract, in partnership with MDA, to provide continued satellite operations for MDA’s and the Canadian Space Agency’s existing fleet of smallsat missions, along with the new Radarsat Constellation, will maximize the value to Canada provided by these earth observation missions. In these times of environmental concerns over global climate change, the data these missions supply to Canada and the world is critical. In addition, the three deep space antennas that we provided as





**The Tallysman GNSS Smart Power Splitter and the Accutenna® GNSS antennas will be deployed in electric delivery vehicles and consumer models.**

part of the European Space Agency's Deep Space Network are being used on their BepiColumbo mission as the probe is receiving initial images from its mission to study Mercury. These 35m antennas were built by Calian to support multiple ESA deep space missions to track and control the probe and to receive images the probe gathers.

Subsidiaries Intragrain, SatService (which celebrated 25 years in business) and Tallysman, all contributed to a strong year for Calian. In addition to the shipping of global navigation satellite system (GNSS) antennas for applications such as warehouse robots, Tallysman fuelled a significant expansion into the automotive sector, signing an agreement to supply two products to an electric vehicle manufacturer supporting their product expansion.

The Tallysman GNSS Smart Power Splitter and the Accutenna® GNSS antennas will be deployed in electric delivery vehicles, and the Accutenna GNSS antennas will be deployed in the manufacturer's consumer models. Tallysman adapted and refined the technology for this project, resulting in a patented antenna that meets exacting requirements for phase-based positioning. Tallysman antennas range from cost-effective high-volume products to super-precise antennas capable of 0.5mm resolution, making them among the most precise GNSS antennas in the world.

Calian won a Canadian Department of National Defence (DND) contract to support the Data Remediation and Marking of Serial Managed Materiel (DRM-SM) program. Leveraging Calian expertise in advanced technologies, DND will be able to seamlessly track approximately millions of assets using a scalable, trusted life cycle management process. It is estimated that approximately 2.7 million assets will have to be labelled and remediated.

Defence prime contractors such as GLDS-C depend on the resilience of our vetronics solutions to keep their armored vehicles and the people inside safe. With our control boxes, shielded cable harnesses, and fire suppression systems, we form a part of GLDS-C's advanced engineering team as they continue to roll out new and innovative armored platforms.

Calian values customer diversification as one of the key drivers of our future growth. In the fourth quarter of 2021, Calian Nuclear won a contract with the

government of Saskatchewan for a small modular reactor study, contributing to the diversification of our customer base and our nuclear portfolio of services.

The software development teams' ability to pivot to a productive remote working environment was timely as the software defined solution teams received a string of new development projects that contributed well through the year. Despite the remote working environment, the software development team continues to grow to support its large backlog. Customers like Inmarsat and SiriusXM continue to rely on Calian for the provision of highly complex solutions for the critical services they offer. Using our systems engineering approach, our subject matter experts work closely with customers to provide cutting-edge solutions to increase the performance of their satellite networks.

Notable software solutions wins include a contract with ORBCOMM Inc. (Nasdaq: ORBC), a global provider of Internet of Things (IoT) solutions, to develop the satellite ground gateway system for ORBCOMM's next-generation OGx service. This service will provide industrial customers around the world with increased global coverage, battery power, bandwidth and speed. Critical applications, such as machine-to-machine communications, remote monitoring and environmental-sensing will take advantage of the ORBCOMM next generation OGx service. Our no-fail software architecture ensures the data flows constantly for these critical services. Calian has built multiple custom satellite communication gateways over the last three decades and is proud to again be selected as the supplier of choice for these types of solutions.

With many of our customers sending new satellite payloads into space, we have seen increased revenues in our In-Orbit-Test Systems. These systems capitalize on our deep understanding of satellite communications payloads and our test and measurement software to provide accurate measurement of satellite communication payload performance once the satellite has reached its orbital slot. After their rough ride aboard a launch vehicle, customers depend on this solution to ensure their payload still works as well in orbit as it did on the ground before launch.

Despite the continuing challenges of the COVID-19 pandemic, the Advanced Technologies segment had a very strong 2021. As we move past the logistical and supply chain disruptions of the past 18 months, we continue to push forward with acquisition integration and investment in leading technologies and solutions. We anticipate continued organic and acquisitive growth for many years to come.



**ORBCOMM next generation OGx service:** Our no-fail software architecture ensures the data flows constantly for critical applications, such as machine-to-machine communications, remote monitoring and environmental-sensing.

## Health

Calian Health continued to play a significant role in Canada's COVID-19 response throughout 2021, vaccinating more than 300,000 Canadians at 21 pop-up clinics managed by Calian. Clinic operations were supported by the Calian resource management software platform. The Calian Health team also expanded existing services—winning contract extensions with the Government of Nunavut, Indigenous Services Canada, Canadian Natural Resources Limited and Canada Border Services Agency, among others. These activities, combined with new business in key markets, resulted in a strong year.

Since the start of the pandemic, government agencies have tapped Calian to provide healthcare solutions and services. This year was no different. The Government of Ontario chose Calian to administer the COVID-19 vaccine in 31 fly-in northern locations to Indigenous community members and residents of First Nations elder care homes. Indigenous Services Canada selected Calian to provide COVID-19 screening and paramedic services to keep Indigenous communities safe.

Calian Health was also selected by the Government of Nunavut to provide telehealth services as part of the government's long-term pandemic preparedness strategy. Calian manages a well-defined virtual COVID-19 program as an integral part of the pandemic response across the territory of Nunavut.

During 2021, Calian Health announced an expansion of clinical trial and patient support programs (PSPs) to pharmaceutical customers in new markets, representing a significant milestone in our service line evolution and customer diversification strategy. The expansion was the result of a 2020 pharmaceutical clinical trial pilot program that far exceeded industry target metrics. The pilot was implemented to re-start previous, non-Calian programs that had experienced ECG and blood monitoring interruptions due to lab closures during the pandemic. The program quickly surpassed key performance indicators for the industry under challenging circumstances.

The success of the clinical trial pilot prompted an expansion of our home healthcare services to customers in new markets. By January 2021, Calian had onboarded personnel internationally and welcomed its

Calian Group Ltd.



**The Government of Ontario:** Calian administered the COVID-19 vaccine in 31 fly-in northern locations to Indigenous community members and residents of First Nations elder care homes.

first patient enrollment in the Netherlands. Expansion continued throughout 2021 into eight new markets across the US and Europe.

The year also saw wins for the Calian Health team in the area of psychological services. In August, Calian Health won a multi-year contract to provide psychological assessments to the RCMP, representing the segment's largest win to date for the provision of psychological services. The Health team also won a contract for psychological assessments for Parliamentary Protective Services. Leveraging the Alio software platform for the digitization of the intake process and management of our psychological assessment services represents a key part of our FY22 solution roadmap.

Through its Military Family Doctor Network program (MFDN), Calian Health is providing on-demand home care for adult dependents of active-duty military as a pilot program. The Military Family Doctor Network, created in 2016, has now linked more than 3,500 patients with family doctors. In September, Calian Health also began supporting the St. Joseph's Operational Stress Injury Clinic, assisting veterans who are vared for by the OSI clinic to secure a family doctor in their home community.

Alongside the continued support for COVID-19 protection efforts, Calian Health continues to expand its domestic and international infrastructure to offer a suite of healthcare services. Calian now has offices in strategic international locations to ensure local support and to secure patient data in compliance with regional and international privacy regulations. Today, Calian Health operates across Canada, the US, Belgium, France, Germany, Hungary, the Netherlands, Poland and Spain, with plans to expand further in Europe and North and South America in 2022.

Moving forward, evolving the Calian health technology platform, and leveraging assets in the company's health and IT segments, will be a focus. We believe that our capabilities in both health services and the technology required to deliver healthcare services has been greatly increased with the acquisition of Dapasoft earlier this year, and Alio prior to that. We are excited about the potential to become a major player in the healthcare domain.



**RCMP:** Calian Health won a multi-year contract to provide psychological assessments to the RCMP, representing the business unit's largest win to date for the provision of psychological services.

## Learning

This year was pivotal for Calian Learning, with two important acquisitions, a growing presence in international markets with a major push into Europe, and key strategic wins of new contracts and renewals. While the acquisitions contributed to our focus on customer diversification and innovation, contract renewals and expansion of our complex training solutions led to successful customer retention and continuous improvement, rounding out a successful year for all four growth pillars.

The acquisition of Cadence Consultancy Limited (Cadence), 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) in Bydgoszcz, Poland, was a key move for Calian Learning this year. Cadence designs, develops and delivers complex training exercises for JFTC, one of the two multi-national and multi-service collective training centres in NATO, and to the wider NATO alliances across Europe. It also delivers operational training to members of the NATO Mission Iraq and the NATO Resolute Support Mission in Afghanistan.

The acquisition of Cadence, along with our established footprint in Norway and Germany, boosts our presence in the European market. The expansion into international markets continues to be a key focus of the Calian growth strategy.

In October, Calian announced the acquisition of SimFront, a Canadian-based provider of military training and simulation solutions. Calian and SimFront have a 15-year collaborative relationship within the Department of National Defence. The SimFront Virtual Command and Control Interface (VCCI) tool suite has served as the cornerstone for simulation-to-command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) integration/interoperability and after-action review (AAR). The VCCI tool suite, combined with Calian

MaestroEDE™, enables Calian to provide end-to-end military training and simulation capabilities and pursue new opportunities with customers seeking integration and immersive training support.

In addition to strong defence experience, SimWave, a SimFront wholly owned subsidiary, is a leader in immersive training simulations technologies in the skilled trades sectors and has been developing simulation training solutions since 2013. The acquisition of SimFront diversifies the Calian Learning portfolio and provides new opportunities for domestic and international expansion.



**SimFront:** Calian announced the acquisition of SimFront, a Canadian-based provider of military training and simulation solutions.

In March, Calian was awarded a Regional Individual Standing Offer (RISO) by the Department of National Defence (DND) to provide research assistant services to the Royal Military College of Canada (RMC). While this was not a new contract, it underpins our commitment to customer partnership and delivery excellence and aligns with our customer retention strategy. RMC has been a trusted and important Calian customer for more than 20 years.

Valued at up to \$32.5M over five years, the RISO will see Calian provide research assistance to RMC professors who carry out research and development in engineering, science, social science and humanities. Through this partnership, Calian will help to provide high quality defence-related and inquiry-based research and leadership.

Later in the year, Calian announced another expansion of services to an existing customer, with international scope. Calian is already delivering strategic and operational training to NATO Command Structure and NATO Force Structure commands. This new contract supports on-site training with the NATO Security Force Assistance Centre of Excellence (NATO SFA COE), a multinational entity with Italy, Albania and Slovenia as sponsoring nations.

Calian brings military expertise and a deep understanding of management and leadership principles to the NATO SFA COE. The COE is committed to knowledge-sharing among the alliance, NATO nations and NATO partners in the field of SFA, building the skills of its personnel. It aims to improve the effectiveness of the alliance in promoting stability and reconstruction efforts for conflict and post-conflict scenarios.

Other European wins include a new contract with the French Ministry of Defence (MoD) Land Forces. The first multi-year international contract for Calian Learning, this project involves the development of scenario and exercise scripts for upskilling 60,000 troops as part of one of the French MoD's core 2022-2023 defence exercise programs.

For this contract, Calian will produce a four-phase program, linked to a common scenario, culminating in a land-based exercise that combines simulated and real manoeuvres. During this land-based exercise,

participants from Rapid Reaction Corps-France (HQ RRC-FR) will practice newly acquired skills on French terrain in real-time.

HQ RRC-FR employs 450 personnel, including 70 non-French officers and non-commissioned officers from 12 different EU and NATO countries. The French Ministry of Defence chose Calian for this contract based on a solid track record of managing complex training requirements while ensuring reduced time to competency. The expansion of the Calian footprint in Europe resulted in increased staffing, including more than 20 starred military trainers.

One of last year's acquisitions, Comprehensive Training Solutions International (CTSI) signed a contract with the German Ministry of Defense to deliver a national, multi-agency exercise. Beyond defence work in Europe, Calian is now actively reviewing and pursuing opportunities in non-defence learning for the EU and UN.

On the innovation front, several new projects are on the go. The Emergency Management (EM) team is expanding current emergency operations staff training across an eLearning platform that can be offered to any staff in municipal, provincial and federal emergency management organizations when surge requirements are needed. As a result of the pandemic, the need to prepare commercial organizations to plan and manage crises became clear. The EM team has developed a new resilience-as-a-solution (RaaS) offering for corporate clients that provides the ability to choose crisis management tools and resources to meet their business resilience requirements. The EM team is also realigning its go-to-market strategy to move from communities to regional districts for emergency management planning solutions, allowing for efficiencies internally and, more importantly, improved coordination of services for our customers.

Calian Learning has had a strong year, with demand for virtual learning and immersive training simulation at an all-time high. Opportunities to expand further into Europe and beyond, as well as entry into new verticals, point to a healthy future for the Calian Learning business segment.

## IT and Cyber Solutions

Calian made bold moves in 2021, with a major acquisition that added new depth and breadth to our offering, a strategic addition to the senior leadership team and expanded support for new and existing customers in the public and private sectors. The integration of RF emission security firm EMSEC, and a series of wins in virtual healthcare and health IT solutions contributed to a strong year for the IT and Cyber Solutions segment.

In July, Calian announced the appointment of Sacha Gera as President, IT and Cyber Solutions, assuming leadership from Sandra Cote on her retirement at the end of 2021. Gera has 20 years of experience working in technology for both start-ups and large multinational organizations, such as IBM, Nortel and CGI. His expertise lies in leading SaaS innovators towards achieving escape velocity, recurring revenue growth and profitability. Most recently, he led the \$115M USD spinout of SaaS-based Kandy.io from Ribbon Communications. The addition of Gera to the Calian senior leadership team marks a transition to the next phase of growth. He will focus on building the portfolio and positioning Calian as a cyber and cloud leader in the Canadian, US and European markets.

Calian continued to pursue an aggressive growth strategy in 2021, with the acquisition of Dapasoft and its subsidiary, iSecurity. Dapasoft is a Microsoft Gold Partner and Microsoft Canada Healthcare Impact award winner, and iSecurity is a full-service MSSP (Managed Security Services Provider). This was the largest acquisition Calian has made to date and enables Calian to offer a variety of XaaS (as a Service) platforms including: a virtual healthcare platform built upon a Microsoft Teams and Azure solution, a healthcare IT digital transformation PaaS (Platform as a Service), and a cybersecurity SIEM (Security Incident Event Management) to facilitate SOCaaS (Security Operations as a Service). In addition, the acquisition enables the segment to expand our range of cloud migration, cybersecurity and managed services solutions while also providing Calian the capacity

to scale and meet increasing customer demand for secure digital transformation.

Through Dapasoft, Calian benefits from the convergence of two healthcare industry trends: the need for virtual care technologies that enable a seamless patient experience and the rising pressure on hospitals and health teams to increase efficiencies and scale expertise across their networks through care collaboration. Early in the COVID-19 pandemic, customers quickly began adopting virtual care as part of their delivery. Now, they are looking for a strategic partner to help them implement a sustainable model that leverages existing investments while adapting to the changing needs of their communities. At the foundation of this future-ready approach is the growing demand for healthcare platforms that can support integrated care models and easily extend and customize for new services and partners.

An example of this integrated care model is the Dapasoft solution that went live in September as a pilot program for Fraser Health in British Columbia. The solution incorporates integration with the electronic medical record (EMR) system to eliminate the need for manual patient data entry. It reduces the time spent on administrative tasks and improves the patient experience with better coordination of care and the option to include multiple providers and family members in a single session.

The acquisition of Dapasoft places Calian in an advantageous position at the intersection of health and information technology, producing opportunities to contribute solutions for better health management in both the public and private sector. This year Calian signed a multi-year extension to our agreement with BORN Ontario. Dapasoft was selected to enable comprehensive maternal-infant health information by integrating data from five providers into a single system. This will ensure that each baby has received all relevant testing and will improve maternal-child health outcomes in the province. Through this project Calian has helped to provide better care for families in Ontario and position the province as a leader in prenatal and newborn research.

The new iSecurity C 360 managed service platform was launched in August. iSecurity was selected by Health Science North for an Ontario Health-funded project to develop one of three health regional security operations centres in Ontario, using the C 360 platform. More than 30 hospitals and health care entities will be protected in the northeast region of Ontario using iSecurity C 360 platform. The new platform allows clients to leverage their existing investments in cybersecurity without the need for costly additional monitoring and incident response software. It provides a 360-degree view of existing security devices, cybersecurity threats and vulnerabilities both for on-premises and cloud enterprise assets.

iSecurity also successfully launched its ransomware simulation software tool that allows customers to train staff under the scenario of a ransomware attack. The iSecurity simulated malware was developed to bypass security controls without harm to the client's environment. Limited and customized level of simulated damage can be deployed depending on the client's needs. This is huge step in our capabilities to help organizations prepare for a real cyberattack.

iSecurity enhances our ability to deliver consulting and advisory services with a focus on cybersecurity, risk management, enterprise security architecture and security solution deployment. Our already strong presence in government has been enhanced with the addition of iSecurity customers in the healthcare, insurance, retail and private sector markets.

The Calian advisory services team has had recent wins with healthcare entities in the Ontario government, municipal governments, international insurance companies, Canadian hospitals, labs and international retail organizations.

In the cybersecurity space, the integration of EMSEC under the Calian brand was completed in September. This step was crucial to incorporating the company's deep experience providing emissions security solutions into the Calian services spectrum. Through EMSEC, Calian offers products, certifications, in-field platform testing, emission security vulnerability studies and solutions. With ongoing threats to cybersecurity and rising risks for IP theft, we anticipate significant demand in both the public and private sectors for RF emission security solutions.

With new business opportunities resulting from the EMSEC, Dapasoft and iSecurity acquisitions and new leadership at the helm, the IT and Cyber Solutions operating segment is delivering on the Calian commitment to diversify our customer base. The ability to offer new, innovative solutions through our acquisitions as well as expand and develop our existing products and services for new markets places Calian at the leading edge of the IT and cybersecurity industry.



**Dapasoft:** The Dapasoft acquisition places Calian in an advantageous position at the intersection of health and information technology, producing opportunities to contribute solutions for better health management in both the public and private sectors.



# How Our Segments Performed

## Advanced Technologies

**Core business:** Engineering services, products, solutions, software development, manufacturing, training, technical services

**Markets:** Satellite communications, aerospace, defence, cable networks, nuclear power, agriculture, government, electric vehicle manufacturing

**Customers:** SiriusXM Satellite Radio, Inmarsat, ORBCOMM, Department of National Defence, MDA

	2021	2020
Revenues:	\$ 166,591	\$153,382
Gross margin (%):	25%	22%
EBITDA <sup>(1)</sup> :	\$ 20,855	\$ 21,003
EBITDA (%):	13%	14%
Backlog <sup>(2)</sup> :	\$ 150,664	\$143,400

## Learning

**Core business:** Custom training, emergency management solutions, software products, consulting, course development

**Markets:** Defence, health, energy, government, Indigenous communities

**Customers:** Department of National Defence, Canadian Armed Forces, NATO, French Ministry of Defence, Bruce Power

	2021	2020
Revenues:	\$ 74,622	\$ 57,834
Gross margin (%):	23%	22%
EBITDA <sup>(1)</sup> :	\$ 12,435	\$ 8,582
EBITDA (%):	17%	15%
Backlog <sup>(2)</sup> :	\$ 264,711	\$276,100

Canadian dollars in thousands

(1) Excludes corporate costs; see financial statements for reconciliation.

(2) Total backlog is \$1.5 billion (FY20 \$1.5 billion) and realizable backlog is \$1.3 billion (FY20 \$1.3 billion).

## Health

**Core business:** Health services, psychological assessment services, medical property management

**Markets:** Defence, law enforcement and security, corrections, energy, occupational safety

**Customers:** Department of National Defence, Loblaw, SNC Lavalin, RCMP, Canada Border Services Agency, Otsuka, Janssen, Government of Nunavut

	2021	2020
Revenues:	\$ 194,936	\$163,035
Gross margin (%):	25%	20%
EBITDA <sup>(1)</sup> :	\$ 34,786	\$ 23,396
EBITDA (%):	18%	14%
Backlog <sup>(2)</sup> :	\$ 775,747	\$822,600

## IT and Cyber Solutions

**Core business:** IT consulting, IT and cloud solutions, software development, SAP consulting, cybersecurity solutions

**Markets:** Government, defence, private sector

**Customers:** Shared Services Canada, General Dynamics, William Osler Health System, BORN Ontario, Fraser Health

	2021	2020
Revenues:	\$ 82,255	\$ 58,069
Gross margin (%):	24%	18%
EBITDA <sup>(1)</sup> :	\$ 9,978	\$ 4,787
EBITDA (%):	12%	8%
Backlog <sup>(2)</sup> :	\$ 78,998	\$ 65,900

# People Driving Growth

A small selection of the many people at Calian who are advancing our innovation and growth, in Canada and abroad.

## Matt Thomas

Head of Business Development at newly acquired SimWave (SimFront), Matt Thomas is part of a team offering leading-edge immersive training to customers in the Royal Canadian Navy, hospitals, post-secondary institutions and more. SimWave proprietary software powers innovative, immersive training technology like the Oculus Quest 2 and the Microsoft HoloLens 2—technology that helps customers achieve readiness and thus, confidence. And now, Matt is helping make this accessible to customers worldwide, from where it all started in Ottawa, Canada.



## Alexandra McCabe

As a Health Account Executive, Alexandra McCabe's role became even more crucial during the pandemic, as she helped mobilize Calian health service providers for COVID-19 screening, quarantine management, testing, mental health support and administration of over 300,000 vaccinations to Canadians. Alexandra and team have been instrumental in supporting customers with pandemic response. And the innovation doesn't stop—Alexandra is committed to improving health services to keep Calian customers safe today and tomorrow.



### Justin Gerein

Justin Gerein started out on a two-person team at Calian, involved in all aspects of the development of high-performance composite antennas. Built from the ground up, this team has since grown to occupy a large facility in Saskatchewan. Now responsible for developing and growing the engineering department, Justin helps introduce new, cutting-edge manufacturing processes and technologies, ones that help customers solve unique problems. When he's not brainstorming how to improve the design and production of high-precision antennas, Justin introduces university students to robotics through rover competitions, as part of the Canadian International Rover Challenge (CIRC).

### Eric Norton

As a Technology Leader, Eric Norton believes that the most effective and sustainable solutions are created in collaboration with customers. MaestroEDE™, an exercise management platform and toolset for complex training environments, is one of these solutions. As customer problems evolve, so does MaestroEDE™. This is only one of the various, innovative tools Eric has helped build as part of his work at the Canadian Army Simulation Centre. Eric calls his work on MaestroEDE™ a "real privilege and honour" as he's able to deliver better learning outcomes, more efficiently, for customers.





### Greg Mcleod

With an uncompromising focus on customer satisfaction, Greg Mcleod and his team responded to the increased national demand for healthcare professionals. These healthcare professionals delivered COVID-19 rapid testing as well as vaccination services to remote Northern and Indigenous communities. In addition to playing a key role in pandemic response, Greg has aided the integration of patient support programs and clinical research projects from the 2020 acquisition of Alio Health and Allphase Clinical Research.



### Michele Bedford

When Michele Bedford joined Calian as Chief Commercial Officer, she recognized the impact a single company brand could have for a company with four operating segments and multiple sub-brands. A single company brand allows Calian to build upon deeply entrenched customer relationships while expanding to new markets. It encompasses the Calian promise to help keep the world moving forward. To move forward, the world must have confidence in the ability to communicate, innovate, learn and lead safe and healthy lives. Calian helps our customers achieve that confidence.



### Patrick Thera

Over the past 35 years, Patrick Thera has played a key role in significant Calian innovations. His early work on communications systems not only provided the game-changing digital satellite communications, but it also helped pivot Calian towards software-defined solutions. Leading a team in Saskatoon, Patrick helped customers optimize their use of limited satellite spectrum and power resources to service end users across their fleet of satellites. Three decades later, Patrick heads up the Advanced Technologies segment and is leading the charge to innovate for new customers and new markets.



### Paula Coutts-Hills

While world travel stalled during COVID-19, our customers' need for mission-critical communications installations persisted. Calian needed a way to get experts to and from customer sites safely and in accordance with travel guidelines. Paula Coutts-Hills, Executive Assistant, Advanced Technologies stepped up to the challenge, navigating multiple organizations—US Homeland Security, Centers for Disease Control and Prevention, Canada Border Services Agency—as well Foreign Consulates and Governments researching Entry Requirements and the ever-changing COVID-19 restrictions. Paula's work behind the scenes as a 24/7 "lifeline" for Calian travellers ensured their safety as they completed important work worldwide, from Australia to South Korea and everywhere in between.

# Social Impact and ESG

Calian is committed to making life better for all Canadians and the global community through initiatives that are aligned with our company mission to help the world communicate, innovate, learn and lead safe and healthy lives—today and tomorrow. This year, that commitment has translated into several projects addressing the pandemic, programs for military, veterans and their families, and initiatives for engagement and reconciliation with Indigenous communities.

## ESG

The Calian leadership team considers Environmental, Social and Corporate Governance (ESG) to be a core responsibility of the organization and seeks to have a significant and meaningful impact. We are in the process of mapping out a new strategic plan aligned to our mission and vision that balances the three 'P's of ESG: people, profit and planet. Our ESG journey has six phases: Identify ESG Focus, Develop Board Mandate, Share Our Story, Define Key Metrics, Set Long-Term Goals, and Achieve Long-Term Goals.

Although our ESG journey is still in early stages, we have already identified our focus on connecting, communicating and facilitating learning, and keeping our population safe and our employees engaged. As we examine our environmental impact, we are looking for ways to address climate change and transition to a low carbon economy. We are also developing a roadmap to integrated ESG reporting, based on best practices and transparency.

To frame our priorities and plans, we have chosen to adopt seven of the UN Sustainable Development Goals. Our environmental plans will focus on responsible consumption and production. To frame the social aspects of our strategy, we will incorporate industry innovation and infrastructure, quality education, good health and wellbeing, and sustainable cities and communities. To ensure maximum benefit to our people, we are focusing on decent work and economic growth, and gender equality.

To ensure strong governance, we will continue to deliver transparent financial reporting with an eye to

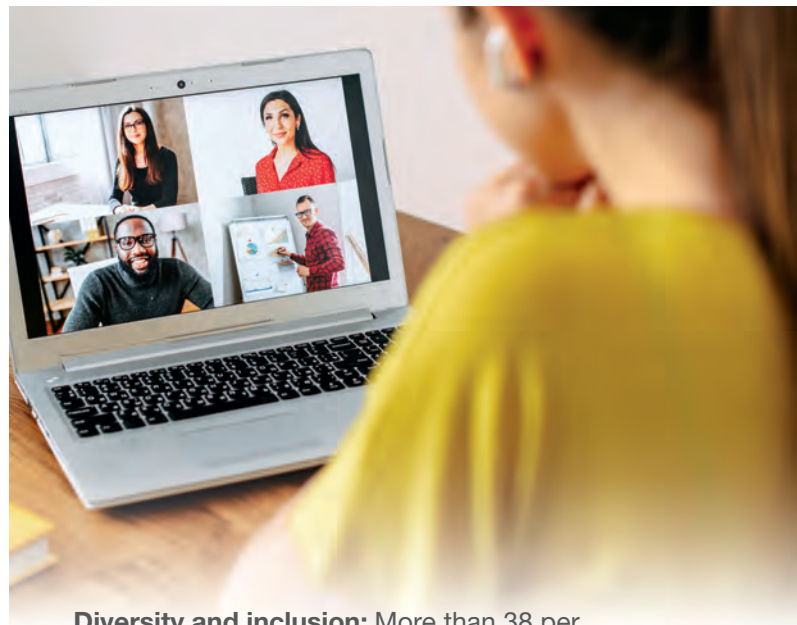
expanding our disclosures to include more robust sustainability measures based on international standards, such as IFRS.

## Supporting Employee Wellbeing

Like many businesses worldwide, the COVID-19 pandemic has affected Calian. We are proud that we were able to maintain our full workforce throughout the pandemic, at a time when many businesses were forced to layoff staff.

While we've had to adapt many aspects of our day-to-day operations to meet the demands of a COVID-19 environment, our employees have been our top priority. To protect their health and safety, all Calian employees who could work remotely have done so this year. Where crucial teams needed to be on site for manufacturing and other areas where remote work isn't possible, all public health recommendations have been enforced, including social distancing, masks, hand sanitizer and reduced contact with others whenever possible.

Recognizing the new paradigm of remote and flexible work arrangements, Calian engaged a third party to survey employees to find out their work preference.



**Diversity and inclusion:** More than 38 per cent of our employees are women, and women represent 33 per cent of our management team.

This will allow us to plan a future that aligns with their wishes and expectations. Many of our employees indicated that they don't want to return to the workplace full-time, and we are taking this opportunity to assess the impact this will have on our facilities, costs and carbon footprint.

While Calian always prioritizes employee mental health, it has been even more critical during the pandemic. We recognize the ongoing stressors faced by our employees balancing work, family and personal well-being in a crisis that has gone on far longer than anyone could have predicted. Early in the year, we conducted a mental health survey to gauge the health and perceived health of Calian employees. Feedback from our survey informed an internal communications plan to encourage the use of our EAP and mental health resources, which received positive feedback.

Calian is committed to diversity and inclusion in our workforce. We are proud that more than 38 per cent of our employees are women, and that women represent 33 per cent of our management team. Calian is serious about providing a workplace that is free of discrimination and harassment and ensures equal opportunity in all stages of employment. During the past fiscal year, Calian hired 39 retired military members and 12 military spouses.

## Indigenous Community Support

Support for Indigenous communities across Canada has expanded in 2021. In 2018, Calian established an Indigenous working group with members from all our business segments participating in discussions about Indigenous engagement. We are currently working with Indigenous communities to deliver health services and virtual care solutions, emergency planning, environmental management and training.

In 2021, we were proud to answer the call for help with COVID-19 screening and vaccination distribution in communities across Canada. Operation Remote Immunity, saw Calian dispatch more than 70 nurses to 25 fly-in communities in Northern Ontario and another 30 nurses to Nunavut, vaccinating more than 25,000 community members in total.

Calian also delivered care packages to families in Nunavut who were in quarantine over the holidays, and books and blankets for children and youth of Nunavut

during COVID-19. To ensure culturally appropriate care, Calian nurses delivering services to the community are all provided with specialized training. Many nurses commented on the pride they felt providing support to these remote communities during the pandemic. Calian also funded a bursary for Indigenous or black students enrolled in the Northern Alberta Institute of Technology (NAIT) emergency management program.

In response to the heartbreaking discoveries on the sites of residential schools, Calian has embarked upon several projects focused on Indigenous engagement. In support of the National Day of Truth and Reconciliation on September 30th, Calian provided sponsorship, funding and volunteers for Remember Me: A National Day of Remembrance, hosted by the Indigenous Arts Collective of Canada and Every Child Matters. Other initiatives include program management and proposal development, risk planning and after-action review, nuclear preparedness and rehearsals, water and wastewater planning, health services and custom training for Indigenous communities.

Calian is a Leadership Circle member of Indigenous Works, a non-profit that works to improve the inclusion and engagement of Indigenous people in the Canadian economy. As a charter member of the Luminary initiative, Calian participated in working groups to develop an Indigenous innovation strategy—an Indigenous-led research ecosystem to support Indigenous economic transformation and wellbeing. Calian is also a supporting member of the Canadian Council for Aboriginal Business and the Bruce Power Indigenous Relations Supplier Network.

## *Protecting the Health of Canadians and Military Families*

The COVID-19 pandemic provided ample opportunity for Calian to contribute health and safety personnel, expertise and equipment to support vaccination and testing for Canadians across the country. Calian has set up pop-up clinics to provide vaccinations in some of the most vulnerable areas of Toronto. So far, more than 200 Calian nurses have administered more than 61,000 vaccinations in these hard-hit neighbourhoods. Calian also supplied staffing and supplies for border entry testing at the Coutts land border crossing and the Calgary International Airport, administering 105,000 COVID-19 tests in total.

Since 2018 Calian Health, in partnership with Military Family Services (MFS), has administered the Military Family Doctor Network (MFDN). The goal of the MFDN is to improve access to quality healthcare for families of serving Canadian Armed Forces members by helping to find them physicians as they move across Canada. To date, the program has referred 3,450 military family members to a physician.

In 2021, Calian made a \$40K contribution to military and veteran research through the Canadian Institute for Military and Veteran Health Research (CIMVHR). The CIMVHR administers research-funding awards within the academic community on behalf of research funding organizations, as well as annual scholarships for emerging researchers.

Calian recognizes that challenges for veterans go beyond funding. For this reason, Calian conducted a research project to develop guides to support conversations between veterans and healthcare providers. These guides were provided to Veterans Affairs Canada and will be available to healthcare providers in the Calian network.

In 2021, Calian initiated two new pilots to support military families and Veterans. The first is the Military Family Patient Support Program, delivered in collaboration with Canadian Forces Morale Welfare Services. This program provides on-demand home care for dependents when active-duty military are called away to meet the demands of their roles. The Veteran Primary Care pilot is focused on the Ontario catchment of St. Joseph's Health Care London's Operational Stress Injury (OSI) Clinic. The catchment area includes Southwestern Ontario, Hamilton-Niagara region, Greater Toronto Area (GTA) and portions of Northern and Western Ontario. Calian will assist veterans who are cared for by the St. Joseph's OSI clinic to secure a family doctor in their home community. This initiative will help veterans transitioning from military service ease their transition to their home community and ensure continuity of care. To support this program, Calian, in collaboration with Queen's University's research program, has produced culturally informed, evidence-based guides for both the health care providers and veterans in the program. These guides have been provided by Veterans Affairs Canada for wider use and distribution.

## *Supporting Learning*

Supporting learning is important to Calian, and we look for ways to have an impact on education. This year Calian committed to a five-year in-kind contribution of our ResponseReady™ product and supporting services for use in the Northern Alberta Institute of Technology (NAIT) Centre for Applied Disaster and Emergency Management (CADEM) This will provide students and emergency management practitioners with access to state-of-the-art simulation technology that helps them build knowledge and technical skills.

Initiatives to help computer science and engineering students include financial contributions to support:

- Engineering Advancement Trust
- IEEE Illumination (Engineering Student Conference)
- Computer Science Student Society Career Fair
- Biennial Symposium on Communications (National Symposium for Engineering students)
- Spectrum (science and engineering event)
- WEC (Western Engineering Competition)
- Code Retreats (software development retreats)
- Canadian International Rover Challenge
- University of Saskatchewan Space Design Team
- Sci-Fi Engineering Science Camps
- Space Camp for Kids
- Regional science fairs

## *Charitable Giving*

Some of the organizations Calian supported in FY 2021:

- The Ottawa Hospital Foundation
- The Ottawa Hospital
- Ottawa Mission
- Victoria Hospice
- Canadian Cancer Society
- Rainbow Bistro
- United Way (Saskatoon and Regina)
- Dube Centre for Mental Health
- Jim Pattison Children's Hospital
- Canadian Liver Foundation
- ALS Canada
- Kidney Foundation



# Looking Forward

Calian has demonstrated the ability to consistently grow the business while maintaining our profitability and making targeted investments in our growth posture. Our growth through 2021 was both challenging and rewarding. The company’s resilience was clearly evident as our diversified essential services and solutions helped the company report solid results amid the historic public health crisis.

Stability remains key to our investment value proposition: Stability through diversity, growth through innovation. Strategic acquisitions and targeted investments have expanded our products, solutions and customer base in Canada and internationally—and through this growth we have maintained our stability. We were very happy to finish the fiscal year reporting our 80th consecutive profitable quarter, that’s 20 years of consistent profitable execution.

We are excited about the potential of this company as we continue our pivot to innovation, growth and global markets. We remain proud of the impact of our services, which have been critical to customers’

operations or well-being. This has reflected our updated mission statement: “We help the world communicate, innovate, learn, and lead safe and healthy lives—today and tomorrow.”

Looking forward, the company is well-positioned to continue building on our record accomplishments. The corporate leadership team is well-poised to drive customer diversification, innovation, product offerings and overall growth. The entire Calian team is excited about the opportunity to capitalize on potential in the months and years to come.

The team will continue to embrace diversity and the four-segment structure at Calian. For our customers, it comes down to continuously improving and expanding the products, services and solutions that our team of experts can deliver for critical industries. It has been an exciting journey to date, and as we often say at Calian, we’re just getting started.

## Corporate Leadership Team



Kevin Ford,  
CEO

Patrick Houston,  
CFO and  
Corporate  
Secretary

Sue Ivay,  
CHRO

Jerry Johnston,  
CIO

Michele Bedford,  
CCO

Seann Hamer,  
CTO

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis is dated November 24, 2021 (this "MD&A") and should be read in conjunction with the unaudited interim condensed consolidated financial statements. The Company's accounting policies are in accordance with IFRS. As in the unaudited interim condensed consolidated financial statements, all dollar amounts in this MD&A are expressed in thousands of Canadian dollars unless otherwise noted.

**This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.**

### IFRS and non-GAAP measures:

**This MD&A contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure.**

### Forward-Looking Statements

The Company cautions that this MD&A contains forward-looking statements. These forward-looking statements are based on certain assumptions made by the Company that may prove to be inaccurate. Forward-looking statements includes those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions. Forward-looking statements are not historical facts, but reflect the Company's current intentions, plans, expectations and assumptions regarding future results or events. Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes.

Forward-looking statements are based on assumptions, including assumptions as to the following factors:

- customer demand for the Company's services;
- the Company's ability to maintain and enhance customer relationships;
- market conditions;
- levels of government spending;
- the Company's ability to bring to market products and services; and
- the Company's ability to execute on its acquisition program including successful integration of previously acquired businesses; and
- the Company's ability to deliver to customers throughout the COVID-19 pandemic, and any government regulations limiting business activities.

The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at November 24, 2021 that are subject to change and to risks and uncertainties, including those set out under the heading "Risks and Uncertainties" below, many of which are outside the Company's control. Actual results may materially differ from such forward-looking information due to factors such as customer demand, customer relationships, new service offerings, delivery schedules, revenue mix, competition, pricing pressure, foreign currency fluctuations and uncertainty in the markets in which the Company conducts business. Additional information identifying risks and uncertainties is contained in the Company's filings with securities regulators. The Company does not assume any intention or obligation to publicly update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on the Company's forward-looking statements.

The outbreak of the coronavirus, or COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has spread across the globe and is impacting worldwide economic activity. A public health pandemic, including COVID-19, poses the risk that the Company and its employees, contractors, suppliers, and

## Management's Discussion and Analysis of Financial Condition and Results of Operations

other partners may be prevented from conducting business activities. This can especially be the case where government authorities mandate shutdowns. Certain countries may also be more heavily impacted where travel restrictions continue for longer periods and full quarantines are in effect. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact. The Company and its employees have transitioned to working remotely where possible and customer delivery has not been materially impacted. The Company is reliant on this alternative work arrangement in order to minimize the impact of outbreak on its financial results.

### Business Overview and Strategic Direction

Calian is a diverse product and services company providing innovative solutions for customers and stakeholders in the healthcare, communications, learning and security sectors. For nearly 40 years, Calian has helped customers solve significant and complex customer problems, so they are better able to succeed and deliver on their objectives.

Calian primary operating segments are:

- Advanced Technologies
- Health
- Learning
- IT and Cyber Solutions ("ITCS")

The four-segment operating model is pivotal to the Company's success as it provides balance and diversity. By serving many customers in wide-ranging and geographically varied markets, Calian is able to capitalize on unique opportunities and upturns in a number of markets while at the same time weathering the downturns experienced in others. This diversity is most evident when comparing the business and operating models of the four segments.

While Calian services are diverse, our growth strategy is anchored in a common four-pillar framework:

1. **Customer retention:** through continued delivery excellence, maintain a valued relationship with our current customer base.
2. **Customer diversification:** through increasing the percentage of revenues derived from new business in adjacent and non-government markets, balance customer revenue into numerous global and domestic sectors.
3. **Innovation:** continue investment in service offerings to increase differentiation and improve gross margins.
4. **Continuous improvement:** leverage innovation to improve how the company operates with a goal to streamline processes and provide for a scalable back-office support capability.

The Calian growth strategy can be summarized as follows: winning new contracts, expanding the scope of existing contracts, capitalizing on innovation demonstrated in each of the operating segments, and Mergers and Acquisitions.

We have continued to demonstrate our ability to win new contracts and evolve. For example, our footprint in Europe is continuously expanding, having won strategic training contracts with NATO, French Ministry of Defence and others.

Further, we have demonstrated the ability to expand the scope of services with existing customers through service line cross pollination and growth. This has continued to be a focus as we have brought on newly acquired companies to ensure that we are broadening their portfolio of customers through our networks.

Innovation in the new products and services we develop, as well as innovation in the way we deliver those services are key in maintaining our market position and winning new customers. Our recent acquisition of SimFront Simulation Systems Corporation means we are able to offer the latest augmented, virtual and mixed reality solutions to customers seeking immersive training support.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Finally, with seventeen successful acquisitions in the last ten years, we continue to demonstrate an ability to grow and expand, both in terms of geography and service offerings.

This growth strategy led to continued profitable growth in 2021, and record revenues for another annual period. Revenue grew 20% in the annual period ended September 30, 2021 when compared to the same period of the prior fiscal year, continuing to drive Company profitability. Each of the Company's four operating segments experienced revenue growth in the year ended September 30, 2021, with Health, Learning and ITCS achieving over 20% revenue growth when compared to the same period of the previous year, and Advanced Technologies achieving 9% revenue growth over the previous year.

Calian is headquartered in Ottawa, Ontario and operates at locations across Canada as well as Europe (Germany, Norway and UK).

Historically our core competencies, common across all operating segments, are project, contract and workforce management; however, the segments continue to evolve their services to incorporate technology, allowing us to offer full solutions to customers.

Advanced Technologies	Health	Learning	IT and Cyber Solutions
<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>• MDA</li> <li>• Sirius XM Satellite Radio</li> <li>• Bruce Power</li> <li>• Inmarsat</li> <li>• ORBCOMM</li> <li>• Department of National Defence</li> </ul>	<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>• Department of National Defence</li> <li>• Loblaw</li> <li>• SNC Lavalin</li> <li>• RCMP</li> <li>• Canada Border Services Agency</li> <li>• Otsuka</li> <li>• Janssen</li> <li>• Government of Nunavut</li> </ul>	<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>• Department of National Defence</li> <li>• Canadian Armed Forces</li> <li>• City of Ottawa</li> <li>• Bruce Power</li> <li>• NATO</li> <li>• French Ministry of Defence</li> <li>• German Ministry of Defence</li> </ul>	<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>• Shared Services Canada</li> <li>• General Dynamics</li> <li>• William Osler Health System</li> <li>• BORN Ontario</li> <li>• Fraser Health</li> </ul>
<p><b>Certifications</b></p> <p>Excellence Canada ISO 900:2015</p>	<p><b>Certifications</b></p> <p>Excellence Canada ISO 900:2015</p>	<p><b>Certifications</b></p> <p>Excellence Canada ISO 900:2015</p>	<p><b>Certifications</b></p> <p>Excellence Canada SOC II Type 1</p>
21% government revenue	60% government revenue	98% government revenue	46% government revenue

A large portion of our revenues are derived from Canadian sources in the public and private sectors, particularly the Department of National Defence. Through our diversification strategy, we have developed a well-established private sector customer base across Indigenous communities, oil and gas, nuclear, aerospace, defence, satellite, telecom, electric vehicle manufacturing and numerous others. For example, our Health service line includes the administration of over 150 medical clinics across Canada on behalf of Loblaw, as well as the provision of health care services to oil and gas customers. Historically, our Learning segment was predominantly generating revenue from Canadian federal government customers. Now, the customer base has expanded to include municipalities, First Nations, healthcare, private industry, and NATO, primarily as a result of the 2020 acquisitions of Comprehensive Training Solutions and Cadence Consultancy. Our Advanced Technologies segment supports global satellite communications and continues to leverage a large global customer base.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Revenue growth from new contract opportunities is largely dependent on the issuance of the initial proposal request and the ultimate timing of the related contract award. The Company has significant realizable backlog at \$1,270 million that spans over 10 years in length. Our historically high renewal rate combined with our win strategy provides management confidence in the ability to retain customers.

While federal government spending priorities fluctuate, particularly because of the global pandemic, profitable business does exist for companies who have the financial strength to accommodate slowdowns in government spending, and the discipline to adjust costs to declines in revenue. Our strong back-office capabilities, along with our emphasis on continuous improvement and business development, ensures we are able to identify and win new business opportunities and scale accordingly.

Of note, as our segments operate in niche areas within large markets, there exists minimal third-party data to compare with the Company's performance. While analyzing general market trends provides some insight into the potential opportunities within and strength of those markets, it is not always indicative of the health, demand, and funding of the individual customers of the Company. To compensate for the limited amount of information, and to provide an indication of future revenue potential, this MD&A provides a detailed overview of the Company's backlog by segment showing both contracted backlog and option renewals by fiscal year. In addition, the following discussion, which refers to the type of contracts performed by each of the four segments will provide some insight into the level of customer-specific demand for our services.

The Company's operations are 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. Typically, the Company's first and last quarter will be negatively impacted because of the Christmas season and summer vacation period. During these periods, the Company can only invoice or recognize revenue for work performed and is also required to pay for statutory holidays. With travel restrictions easing in a number of countries, this impact may be seen to increase in any given period as more vacation and travel is taken. This results in reduced levels of revenues and in a drop in gross margins. This seasonality may not be apparent in the overall results of the Company, depending on the impact of the realized sales mix of its various projects. This is slightly offset in the summer months with higher sales for IntraGrain, but further adds to the seasonality in the first quarter results.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Selected quarterly financial data

(Canadian dollars in millions, except per share data)

	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
<b>Revenues</b>								
Advanced Technologies	\$ 42.6	\$ 43.8	\$ 42.8	\$ 37.3	\$ 37.6	\$ 35.9	\$ 39.9	\$ 40.0
Health	44.1	50.8	52.9	47.1	56.8	43.9	32.2	30.0
Learning	17.6	18.1	20.9	18.0	14.3	11.1	17.3	15.1
ITCS	23.2	23.4	21.9	13.8	14.4	14.6	15.1	14.1
Total revenue	\$ 127.5	\$ 136.1	\$ 138.5	\$ 116.2	\$ 123.1	\$ 105.5	\$ 104.5	\$ 99.2
Cost of revenue	94.5	102.2	105.0	90.0	100.2	83.0	81.0	79.0
Gross profit	33.0	33.9	33.5	26.2	22.9	22.5	23.5	20.2
Selling and marketing	4.4	4.5	4.0	3.4	3.0	3.2	3.3	2.8
General and administration	14.2	13.3	14.4	11.6	10.0	9.8	9.5	8.6
Research and development	2.0	1.2	1.0	0.8	0.7	0.5	0.4	0.4
Profit before under noted items	12.4	14.9	14.1	10.4	9.2	9.0	10.3	8.4
Depreciation of equipment and application software	1.2	1.1	1.0	1.0	1.0	0.9	0.6	0.5
Depreciation of right of use asset	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7
Amortization of acquired intangible assets	3.4	3.2	3.0	2.1	1.7	1.4	1.2	0.9
Other changes in fair value	-	-	-	-	-	-	-	(0.1)
Deemed Compensation	0.8	0.8	0.5	1.9	-	-	-	-
Changes in fair value related to contingent earn-out	3.6	5.1	1.3	0.4	(2.8)	0.4	0.3	0.2
Profit before interest and income tax expense	2.6	4.0	7.5	4.3	8.6	5.6	7.5	6.2
Lease interest expense	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest expense (income)	0.2	0.1	0.2	-	-	(0.1)	0.2	0.1
Profit before income tax expense	2.3	3.8	7.2	4.2	8.5	5.6	7.2	6.0
Income tax expense	1.4	1.7	1.7	1.7	1.6	1.8	1.8	1.7
Net profit	\$ 0.9	\$ 2.1	\$ 5.5	\$ 2.5	\$ 6.9	\$ 3.8	\$ 5.4	\$ 4.3
Weighted average shares outstanding - Basic	11.3M	11.2M	10.1M	9.8M	9.0M	8.8M	8.8M	7.9M
Weighted average shares outstanding - Diluted	11.3M	11.3M	10.2M	9.9M	9.1M	8.9M	8.9M	8.0M
Net profit per share								
Basic	\$ 0.10	\$ 0.18	\$ 0.55	\$ 0.25	\$ 0.71	\$ 0.40	\$ 0.60	\$ 0.55
Diluted	\$ 0.10	\$ 0.18	\$ 0.54	\$ 0.25	\$ 0.70	\$ 0.40	\$ 0.59	\$ 0.54
Adjusted EBITDA per share								
Basic	\$ 1.10	\$ 1.33	\$ 1.40	\$ 1.06	\$ 0.95	\$ 0.93	\$ 1.16	\$ 1.04
Diluted	\$ 1.09	\$ 1.32	\$ 1.39	\$ 1.05	\$ 0.93	\$ 0.92	\$ 1.14	\$ 1.03

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Fourth Quarter Financial Summary

This fourth quarter unaudited interim condensed consolidated financial summary should be read in conjunction with the annual financial statements along with accompanying notes thereto.

### Consolidated Statements of Net Profit

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

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue				
Advanced Technologies	\$ 42,728	\$ 37,570	\$ 166,591	\$ 153,382
Health	44,167	56,848	194,936	163,035
Learning	17,561	14,282	74,622	57,834
ITCS	23,183	14,357	82,255	58,069
<b>Total Revenue</b>	<b>127,639</b>	<b>123,057</b>	<b>518,404</b>	<b>432,320</b>
Cost of revenues	94,535	100,190	391,667	343,164
<b>Gross profit</b>	<b>33,104</b>	<b>22,867</b>	<b>126,737</b>	<b>89,156</b>
Selling and marketing	4,451	3,028	16,334	12,336
General and administration	14,223	9,978	53,454	38,012
Research and development	2,007	658	5,020	1,998
<b>Profit before under noted items</b>	<b>12,423</b>	<b>9,203</b>	<b>51,929</b>	<b>36,810</b>
Depreciation of equipment, application software and research and development	1,112	969	4,285	2,976
Depreciation of right of use asset	781	734	3,054	2,771
Amortization of acquired intangible assets	3,374	1,684	11,731	5,166
Other changes in fair value	-	-	-	(101)
Deemed compensation	906	-	4,006	-
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
<b>Profit before interest income and income tax expense</b>	<b>2,694</b>	<b>8,588</b>	<b>18,517</b>	<b>27,880</b>
Lease obligations interest expense	107	123	450	475
Interest expense (income)	63	19	360	185
<b>Profit before income tax expense</b>	<b>2,524</b>	<b>8,446</b>	<b>17,707</b>	<b>27,220</b>
Income tax expense – current	1,752	2,122	8,399	8,171
Income tax expense (recovery) – deferred	(321)	(562)	(1,847)	(1,311)
Total income tax expense	1,431	1,560	6,552	6,860
<b>NET PROFIT</b>	<b>\$ 1,093</b>	<b>\$ 6,886</b>	<b>\$ 11,155</b>	<b>\$ 20,360</b>
Net profit per share:				
Basic	\$ 0.10	\$ 0.70	\$ 1.08	\$ 2.25
Diluted	\$ 0.10	\$ 0.70	\$ 1.07	\$ 2.23

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Consolidated Statements of Cash Flows

For the years ended September 30, 2021 and 2020 (Canadian dollars in thousands):

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>				
Net profit	\$ 1,093	\$ 6,886	\$ 11,155	\$ 20,360
Items not affecting cash:				
Interest expense (income)	63	19	360	185
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
Lease obligations interest expense	107	123	450	475
Income tax expense	1,431	1,560	6,552	6,860
Employee share purchase plan expense	45	78	399	199
Share based compensation expense	428	279	1,935	1,163
Depreciation and amortization	5,267	3,387	19,070	10,913
Deemed compensation	906	-	4,006	-
Other changes in fair value	-	-	-	(101)
	12,896	9,560	54,263	38,172
Change in non-cash working capital				
Accounts receivable	(384)	7,256	(24,114)	(11,676)
Work in process	29,052	(8,508)	30,934	(44,911)
Prepaid expenses	1,513	1,225	(2,752)	(1,271)
Inventory	(496)	(133)	(446)	(328)
Accounts payable and accrued liabilities	(10,022)	2,233	(6,381)	17,251
Unearned contract revenue	(3,297)	(12,314)	6,781	4,501
	29,262	(681)	58,285	1,738
Interest received (paid)	(170)	(142)	(810)	(678)
Income tax recovered (paid)	(1,426)	1,059	(10,933)	(3,813)
	27,666	236	46,542	(2,753)
<b>CASH FLOWS GENERATED FROM FINANCING ACTIVITIES</b>				
Issuance of common shares net of costs	1,005	1,589	79,299	70,488
Dividends	(3,156)	(2,747)	(11,826)	(9,938)
Draw (repayment) on line of credit	-	-	-	(13,000)
Payment of lease obligations	(782)	(656)	(3,033)	(2,508)
	(2,933)	(1,814)	64,440	45,042
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Investments and loan receivable	-	-	-	(100)
Business acquisitions	351	(18,855)	(48,757)	(29,288)
Capitalized research and development	(93)	(107)	(430)	(1,227)
Equipment and application software	(2,430)	(1,521)	(7,419)	(4,574)
	(2,172)	(20,483)	(56,606)	(35,189)
<b>NET CASH (OUTFLOW) INFLOW</b>				
	22,561	(22,061)	54,376	7,100
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 56,050	\$ 46,296	\$ 24,235	\$ 17,135
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 78,611	\$ 24,235	\$ 78,611	\$ 24,235



## Management's Discussion and Analysis of Financial Condition and Results of Operations

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

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Weighted average number of common shares – basic	\$ 11,271,536	\$ 9,732,754	\$ 10,599,693	\$ 9,044,588
Additions to reflect the dilutive effect of employee stock options and RSU's	75,333	122,603	40,735	59,910
Weighted average number of common shares – diluted	11,346,869	9,855,357	10,640,428	9,104,498

The following table presents the revenue of the Company for the year ended September 30, 2021 and 2020 (Canadian dollars in thousands):

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Product revenue</b>				
Advanced Technologies	\$ 29,731	\$ 26,420	\$ 113,878	\$ 109,532
Health	147	17,534	4,658	25,184
Learning	-	-	-	-
ITCS	3,391	1,758	13,088	8,357
Total product revenue	\$ 33,269	\$ 45,712	\$ 131,624	\$ 143,073
<b>Service revenue</b>				
Advanced Technologies	\$ 12,997	\$ 11,150	\$ 52,713	\$ 43,850
Health	44,020	39,314	190,278	137,851
Learning	17,561	14,282	74,622	57,834
ITCS	19,792	12,599	69,167	49,712
Total service revenue	\$ 94,370	\$ 77,345	\$ 386,780	\$ 289,247
Total revenue	\$ 127,639	\$ 123,057	\$ 518,404	\$ 432,320

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Segmented information is as follows for three months ended September 30, 2021 (Canadian dollars in thousands):

For the year ended September 30, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 42,728	\$ 44,167	\$ 17,561	\$ 23,183	\$ -	\$ 127,639
<b>Cost of revenues</b>	31,449	33,070	13,713	16,303	-	94,535
<b>Gross profit</b>	11,279	11,097	3,848	6,880	-	33,104
<b>Gross profit %</b>	26 %	25 %	22 %	30 %	N/A	26 %
Selling and marketing	1,975	790	181	653	852	4,451
General and administration	2,519	2,919	1,043	1,368	6,374	14,223
Research and development	1,243	115	-	649	-	2,007
<b>Profit before under noted items</b>	\$ 5,542	\$ 7,273	\$ 2,624	\$ 4,210	\$ (7,226)	\$ 12,423
Profit before under noted items %	13 %	16 %	15 %	18 %	N/A	10 %
Depreciation of equipment, application software and R&D						1,112
Depreciation of right of use asset						781
Amortization of acquired intangibles						3,374
Other changes in fair value						-
Deemed compensation						906
Changes in fair value related to contingent earn-out						3,556
<b>Profit before interest income and income tax expense</b>						2,694
Lease obligations interest expense						107
Interest expense (income)						63
<b>Profit before income tax expense</b>						2,524
Income tax expense – current						1,752
Income tax expense – deferred						(321)
Total income tax expense						1,431
<b>NET PROFIT FOR THE PERIOD</b>						\$ 1,093

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Segmented information is as follows for three months ended September 30, 2020 (Canadian dollars in thousands):

For the year ended September 30, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
<b>Revenue</b>	\$ 37,570	\$ 56,848	\$ 14,282	\$ 14,357	\$ -	\$ 123,057
<b>Cost of revenues</b>	30,544	46,976	10,955	11,715	-	100,190
<b>Gross profit</b>	7,026	9,872	3,327	2,642	-	22,867
<b>Gross profit %</b>	19 %	17 %	23 %	18 %	N/A	19 %
Selling and marketing	1,136	526	230	724	412	3,028
General and administration	1,559	2,069	778	829	4,743	9,978
Research and development	497	160	-	1	-	658
<b>Profit before under noted items</b>	\$ 3,834	\$ 7,117	\$ 2,319	\$ 1,088	\$ (5,155)	\$ 9,203
Profit before under noted items %	10 %	13 %	16 %	8 %	N/A	7 %
Depreciation of equipment, application software and R&D						969
Depreciation of right of use asset						734
Amortization of acquired intangibles						1,684
Other changes in fair value						-
Changes in fair value related to contingent earn-out						(2,772)
<b>Profit before interest income and income tax expense</b>						8,588
Lease obligations interest expense						123
Interest expense (income)						19
<b>Profit before income tax expense</b>						8,446
Income tax expense – current						2,122
Income tax expense – deferred						(562)
Total income tax expense						1,560
<b>NET PROFIT FOR THE PERIOD</b>						\$ 6,886

### Calian Consolidated Results

During 2021, the Company continued to make progress on its four-pillar growth strategy through continued diversification, customer retention and innovation. Overall consolidated revenue growth was 20% for the annual period ending September 30, 2021 when compared to the same period of the previous year. Revenue growth was achieved across all service lines, with the most significant growth coming from our ITCS segment, where revenues have increased by 42% from the year prior. The revenue growth was not achieved by compromising margins. In fact, the consolidated gross margin of 24% represents the highest annual gross margin performance in company history. In the three-month period ended September 30, 2021, the Company signed \$85 million in contracts and ended the period with a realizable backlog of \$1,270 million.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 127,639	\$ 123,057	\$ 518,404	\$ 432,320
Gross profit	33,104	22,867	126,737	89,156
Selling and marketing	4,451	3,028	16,334	12,336
General and administration	14,223	9,978	53,454	38,012
Research and development	2,007	658	5,020	1,998
Profit before under noted items	\$ 12,423	\$ 9,203	\$ 51,929	\$ 36,810

### Revenue

Consolidated revenues grew 4% in the three-month period, and 20% in the twelve-month period ended September 30, 2021 when compared to the same periods in the previous year. The increase in revenue can be attributed to 8% acquisitive growth, and a 4% decrease in organic revenues for the three-month period, and 12% from acquisitive growth and 8% from organic growth for the twelve-month period. The organic growth is impacted by the one-time delivery of Mobile Respiratory Care Units with the COVID-19 response effort in the fourth quarter of the previous fiscal year. Calian measures growth through acquisition on a trailing twelve-month basis; once the acquisition has been included in our results for twelve months, their contribution is included in the organic growth metric.

IT and Cyber Solutions saw growth of 42% for the year ended September 30, 2021 when compared to the same period of the previous year, which can be primarily attributed to contributions from Dapasoft and iSecurity, acquired in Q2'21.

Learning posted growth of 29% for the year ended September 30, 2021 when compared to the same period of the previous year. Learning was impacted in the previous year with stay at home orders and government imposed restrictions on customers sites. This was mostly recovered in the current year by adapting to restrictions and changing the method of customer delivery. Comprehensive Training Solutions (CTS) and Cadence Consultancy were acquired in Q4'20 and Q1'21, respectively, and contributed to Learning revenue growth.

Health revenue increased by 20% over the previous year, of which 7% is attributable to the Q2'20 acquisition of Alio and Allphase, organic growth across a number of existing customers, and COVID-19 response.

Advanced Technologies posted growth of 9% over the previous year, largely due to market diversification strategies and acquisitive revenue growth.

The revenue mix continues to shift, with 51% from government and 49% from private sector. Comparatively, in FY 2020, this mix was 53% government and 47% private sector and in FY 2019, it was 69% government and 31% private sector. Total non-government revenue grew by 31% compared to FY 2020 and by 140% compared to FY 2019—all while revenue from government contracts increased year over year.

The impacts of COVID-19 continue insofar as in-person delivery and travel restrictions impact the delivery to the customer. This has resulted in additional costs incurred to deliver existing contracts for satellite ground systems. Increased costs for travel and quarantine, availability of trained staff and supply chain issues contributed to these additional costs. These circumstances are expected to continue throughout 2022 and this is reflected in Calian estimates. Despite the business impacts, COVID-19 has generated new opportunities in the Health segment, including the execution of pop-up vaccine clinics, rapid testing initiatives, telehealth services and virtual care.

### Gross Profit

As can be seen in the detailed discussions of each segment, performance and gross margin by segment varies greatly from 18% to 25%, and the business mix in turn affects the consolidated gross margin. Gross margins for the Company's fourth quarter were 26% and for the annual period ending September 30, 2021 were 24%—new highs

## Management's Discussion and Analysis of Financial Condition and Results of Operations

for the company for each respective period. This is the result of several initiatives, among them: higher margins for acquisition products and services, organic growth focus on market verticals where margins are higher, and innovation and introduction of products which command higher margins. These factors were partially offset by some lower margins from large satellite ground system projects, and increased costs from COVID-19.

The volatility of the Canadian dollar is always an influencing factor for margins on new work in the Advanced Technologies segment, to the extent that work is denominated in foreign currencies.

### Operating Expenses

Selling and marketing costs increased \$1,423 for the three-month period and \$3,998 for the twelve-month period ended September 30, 2021, compared to the same periods of the prior year. The overall increase in cost and activity is primarily due to selling and marketing costs from recent acquisitions. This is compared to a period in the prior year where selling and marketing efforts were significantly reduced due to COVID-19 restrictions.

General and administration costs increased by 43% for the three-month period and 41% for the twelve-month period ended September 30, 2021, compared to the same periods of the previous year. The increase is the result of investments within the four operating segments to enable project delivery, as well as cost acquired through recent acquisitions, increased costs in relation to share equity plans and the one-time costs of \$2,000 incurred in the twelve-month period ended September 30, 2021 relating to acquisitions costs incurred in the year, including the acquisitions of Cadence, InterTronic and Dapasoft. The balance of the increase is the result of investments in our corporate capabilities in human resources and information technology.

Research and development costs increased \$1,349 in the three-month period, and \$3,022 for the twelve-month period ended September 30, 2021, compared to the same periods in the prior year. The additional costs are solely the result of research and development costs from recent acquisitions.

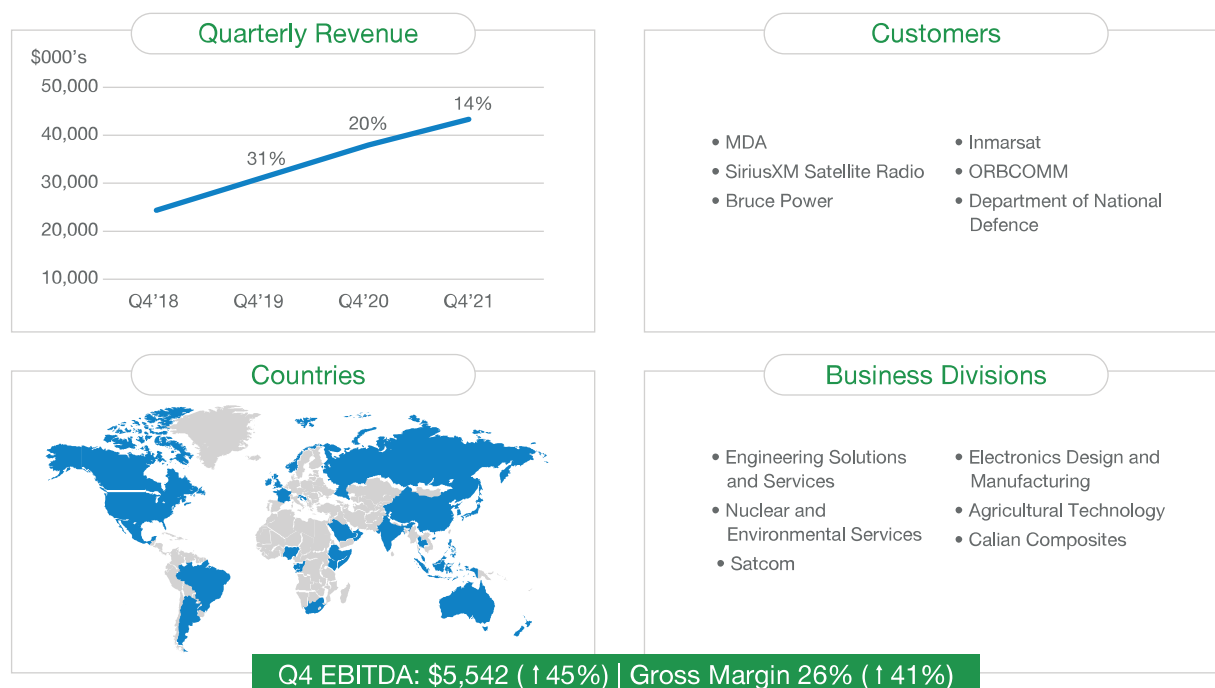
Below is a discussion of the performance of the four operating segments for the fourth quarter, including:

	Advanced Technologies		Health		Learning		IT & Cyber	
Revenue	\$ 42,728	+14%	\$ 44,167	-22%	\$ 17,561	+23%	\$ 23,183	+61%
Organic / acquisitive	7% / 7%		-22% / Nil		22% / 1%		9% / 52%	
Gross margin	\$ 11,279		\$ 11,097		\$ 3,848		\$ 6,880	
New contract signings	\$ 31,858		\$ 31,187		\$ 4,100		\$ 17,469	
Backlog	\$ 179,845		\$ 898,439		\$ 319,283		\$ 124,039	

\*Comparisons in the above table are made to the three month period ended September 30, 2020 where appropriate.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Advanced Technologies



\* Compared to same time period last year. Figures in \$000's.

The Advanced Technologies segment offers internally developed products, engineering services and solutions for the space, communications, nuclear, agriculture, defence, automotive and government sectors. Capabilities are wide-ranging, covering software development, product development, custom manufacturing, full life-cycle support, studies, requirements analysis, project management, multi-discipline engineered system solutions, and training. The Advanced Technologies segment is a full-service organization offering turnkey solutions for industry-leading customers.

A supplier of communication systems and products for terrestrial and satellite networks, Calian operates a center of excellence in communication ground systems for satellite and cable network operators around the world. Advanced Technologies provides satellite gateways which can include large aperture radio frequency ("RF") antennas, telemetry tracking and control, as well as high-availability software solutions for managing and monitoring these networks. The segment's software tools enable network operators to manage, plan and analyze network resources, including satellite power and frequencies. With an international reputation for supporting space missions, Advanced Technologies delivers custom communication solutions and systems engineering capabilities to customers in Canada and around the world.

Manufacturing capability includes a surface mount electronics manufacturing line with automated inspection and X-ray. Advanced Technologies offers a composite carbon fiber manufacturing capability as well as an extruded cable manufacturing line. These are complemented by engineering capabilities that support custom build-to-print manufacturing services for commercial and defence clients. Calian AgTech products and solutions are manufactured in-house for the agriculture sector, helping to protect assets such as stored crops, fuel and water.

Tallysman, an acquisition, manufactures Global Navigation Satellite System products that have a wide range of uses across many industries, including electric vehicle manufacturing. The acquisition of InterTronics enhances the Company's current capabilities in the RF ground system business line with state-of-the-art, high-precision antenna solutions that include high-accuracy, high-speed motion systems used by military, scientific and commercial customers.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Calian engineering and technical services support clients across the system engineering process, including concept development for the design and implementation of next-generation critical systems and full life-cycle support for propulsion, electrical and electronic systems, computer systems, naval architecture, and aerospace and nuclear systems. Associated services are provided in integrated logistics support, drafting, and other technical services. The nuclear services team develops and executes comprehensive and cost-effective waste management and decommissioning solutions, and provides a systematic approach to identifying hazards, determining their consequences, and providing recommendations to mitigate identified risks. The scope of these nuclear services includes decommissioning programs, radioactive waste management programs and remediation.

### Financial performance

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 42,728	\$ 37,570	\$ 166,591	\$ 153,382
Gross profit	11,279	7,026	41,576	33,991
Selling and marketing	1,975	1,136	7,496	4,995
General and administration	2,519	1,559	9,683	6,457
Research and development	1,243	497	3,542	1,536
Profit before under noted items	\$ 5,542	\$ 3,834	\$ 20,855	\$ 21,003

Advanced Technologies' revenues increased by 14% for the three-month period, and 9% for the twelve-month period ended September 30, 2021 compared to the same periods in the previous year. The revenue increase in the three-month period is primarily attributable to acquisitive revenue, which makes up 7% of the total increase, and reflects 9% in the twelve-month period ending September 30, 2021 when compared to the same period of the previous year. Acquisitive revenue is attributable to revenue from the acquisitions of InterTronic and Tallysman. In addition to acquisitive growth, the Company has demonstrated growth in AgTech product sales, and continued expansion and growth in European ground system products. The fourth quarter was a record for SatCom Product Decimator spectrum analyzer sales and saw increased signings for software defined solutions, in addition to strong growth in other legacy Advanced Technologies products. The Advanced Technologies segment continues to be impacted by COVID-19. This is evident in both the decrease of product delivery volumes for the mobile wireless product to a Tier 1 North American mobile customer where travel restrictions are impeding the ability to complete installations and communication ground systems project slowdowns with the inability to travel to site to complete on-site engineering work. Internally developed product sales continue to be a focus for the Company, contributing positively to revenue growth and higher margins in the future.

Gross margin percentage increased from 19% to 26% for the three-month period and increased from 22% to 25% for the twelve-month period ended September 30, 2021, when compared to the same periods of the prior year. This change is primarily due to the revenue mix being impacted by a lower proportion of revenues coming from a large ground system project along with higher margins from acquisitive revenue and product sales.

Selling and marketing expenses increased by \$839 for the three-month period and \$2,501 for the twelve-month period ended September 30, 2021, compared to the same periods in the year prior. Increases in the current year can be attributed to consolidation of costs stemming from the acquisition of Tallysman and InterTronic and additional spend in the current year where selling and marketing expenses were significantly reduced by shutdowns and travel restrictions due to COVID-19.

General and administration expenses increased by \$960 for the three-month and \$3,266 for the twelve-month periods ended September 30, 2021, compared to the same periods in the year prior due to consolidation of operating costs of recent acquisitions, current year acquisition costs for InterTronic, along with investments in headcount and technological capabilities where the prior year's uncertainty around COVID-19 resulted in cost control measures in place throughout the segment.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Research and development costs increased by \$746 for the three-month period, and \$2,006 for the twelve-month period ended September 30, 2021, when compared to the same periods of the previous year due to additional research costs incurred from recent acquisitions.

Profitability increased for the three- and twelve-month periods ended September 30, 2021, which is a result of acquisitive revenue, and higher gross margins from acquisitions.

### Fourth Quarter Highlights

#### *Record Quarter For Decimator Spectrum Analyzer*

Sales of the Decimator D4 spectrum analyzer reached \$1 million this quarter—a record quarter of sales for the product line since it was introduced over seven years ago. The D4 is an innovative evolution to the spectrum analyzer product line, providing additional signal monitoring capabilities and new software applications for customers to improve their service monitoring.

#### *SaskPower Small Modular Reactor Win*

SaskPower selected Calian to provide engineering and technical services to support the work required to maintain nuclear power from small modular reactors. The planned outcome is a potential zero emissions power source, ready for use by 2030.

#### *Strong Antenna Portfolio*

Tallysman continues to see growth in many of its antenna product lines. The team adapted and refined Accutenna technology for an electric vehicle manufacturer, resulting in a patented antenna that meets exacting requirements for phase-based positioning. The Tallysman portfolio of GNSS application antennas, along with Calian large aperture composite fibre and Intronic steel antenna lines have expanded Calian market reach.

#### *Expansion of Defence Product Development and Manufacturing*

Our customers continue to gain confidence in our ability to provide them with reliable components for the military vehicles that they manufacture. US and Canadian defence prime contractors use Calian components, assemblies and harnesses in an increasing number of vehicle models, resulting in \$1.5 million in sales this quarter.

#### *Images From Mercury*

The European Space Agency BepiColumbo probe was able to capture its first pictures of Mercury, thanks to Calian antennas that transmit commands to the spacecraft and receive images back as they track the probe through space.

### Full Fiscal Year Highlights

#### *Evolving Products*

Calian has partnered with another cable test solution provider to develop capabilities to test DOCSIS 4.0 equipment, built on Calian DOCSIS 3.1 intellectual property. This resulted in a development contract of just under \$1 million and the beginning of a partnership with another key player in the cable network industry.

#### *Custom Software Development*

Customers like Inmarsat and SiriusXM continue to rely on Advanced Technologies for the provision of highly complex solutions to enable the critical services that they offer. Using a systems engineering approach, Calian subject matter experts work closely with customers to provide solutions that increase the performance of their satellite networks. Customer signings have increased software development backlogs to record levels.



# Management's Discussion and Analysis of Financial Condition and Results of Operations

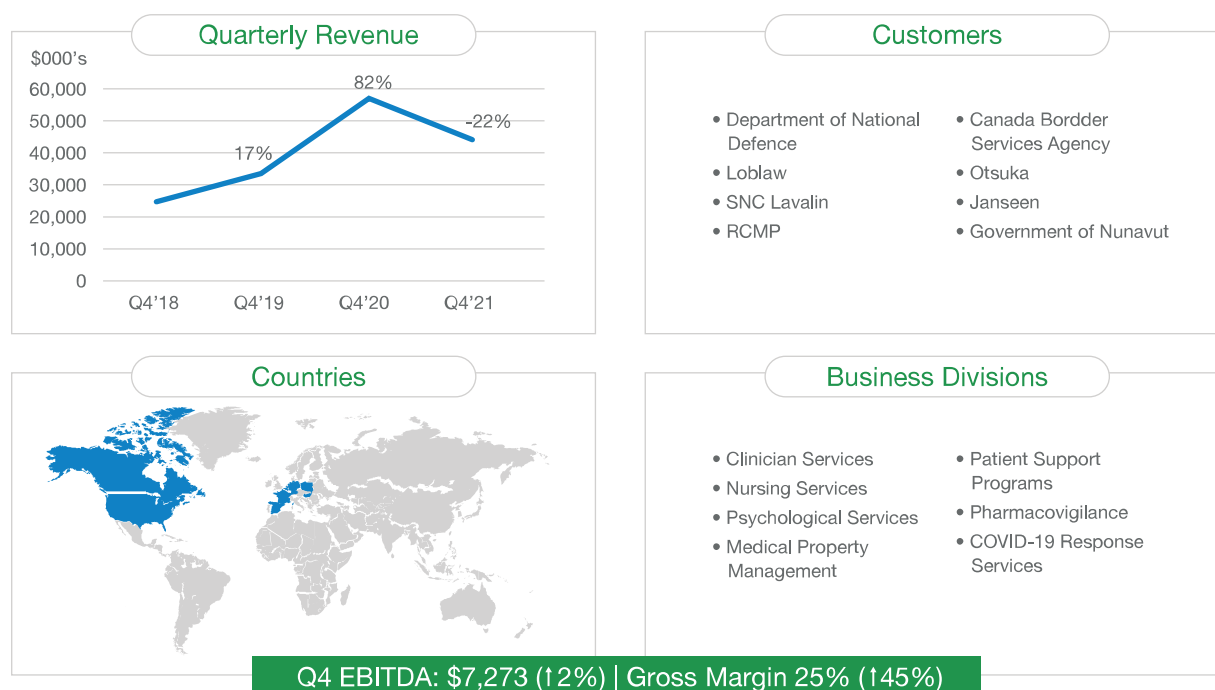
## Prioritized Customer Retention

Despite the challenges posed by COVID-19, the team adapted to continue supporting customers worldwide, deploying radio frequency (RF) systems to installations around the globe. These RF systems provide critical satellite communications infrastructure and generate solid revenue for Advanced Technologies.

## Increased Demand for Custom Software Solutions

The software development and systems engineering team has grown substantially to support the increased demand for custom software solutions. Particularly, customers are interested in solutions that leverage Calian systems expertise in satellite resource management and network management.

## Health



\* Compared to same time period last year. Figures in \$000's.

Calian has the largest diversified Health footprint in Canada, with over 20 years of experience in the management of health care professionals and health programs, as well as the management of primary care and occupational health clinics. With a network of over 2,400 healthcare professionals, Calian supports over six million patient visits per year at over 180 Primacy clinic locations across Canada, located in Loblaw grocery stores (including Real Canadian Superstore®, Zehrs®, Loblaws® and No Frills®).

The Department of National Defence is the largest customer, with health and psychological services also provided to police, correctional institutions and border services agencies in the Canadian market. The Health team has expanded operations with government and private customers across Canada in response to the COVID-19 pandemic, offering vaccination programs, screening, monitoring, contact tracing, education and more.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Financial performance

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 44,167	\$ 56,848	\$ 194,936	\$ 163,035
Gross profit	11,097	9,872	47,843	32,370
Selling and marketing	790	526	2,636	1,699
General and administration	2,919	2,069	9,848	6,815
Research and development	115	160	573	460
Profit before under noted items	\$ 7,273	\$ 7,117	\$ 34,786	\$ 23,396

Revenues decreased 22% for the three-month period and increased 20% for the twelve-month period ended September 30, 2021 when compared to the same periods of the previous year. The decrease in the current quarter is primarily a result of the one-time depolyment of Mobile Respiratory Care Units for the pandemic response in the fourth quarter of the prior year, which was completed in the first quarter of the current fiscal year. Revenue growth in the year is a result of expanding scope with existing customers, continued pandemic response, and acquisitive revenue. Acquisitive growth represented an increase of 7% for the twelve-month period ended September 30, 2021 when compared to the same period of the prior year. Growth through acquisition is measured on a trailing twelve-month basis; once the acquisition has been included in results for twelve-months, their contribution is included in the organic growth metric.

The Company has seen increased demand from new and existing opportunities in clinician services and services to remote locations in Northern Canada. Organic growth year over year can be attributed to COVID-19 screening and vaccination program support. COVID-19 driven growth was also evident in the increased demand in the health care practitioners' contract with the Government of Canada.

Gross margin percentage increased from 17% to 25% for the three-month period and increased from 20% to 25% for the twelve-month period ended September 30, 2021 when compared to the same periods of the prior year. The increase in margin is primarily in relation to acquisitive revenue. The fourth quarter of the previous fiscal year was also impacted by the pandemic response related to the Mobile Respiratory Care Units, which was recognized at lower margins.

Selling and marketing expenses increased by \$937 for the twelve-month period ended September 30, 2021 when compared to the same period of the previous year due to consolidation of costs from the acquisition of Alio and Allphase and additional spend to grow the customer base in new regions or pursue new customers.

General and administration expenses increased by \$850 for the three-month period and \$3,033 for the twelve-month period ended September 30, 2021 when compared to the same periods of the prior year, due to increases in headcount to support new contracts and new headcount from the acquisition of Alio and Allphase, acquired in the second quarter of fiscal year 2020.

## Fourth Quarter Highlights

### *Expansion to Europe*

In the fourth quarter, Calian announced an expansion of clinical trial and patient support programs to pharmaceutical customers in eight new markets—the US, Belgium, France, Germany, Hungary, Netherlands, Poland and Spain. The expansion was a direct result of overachieving industry target metrics during a 2020 pharmaceutical clinical trial pilot program, and brings timely, high-quality care to patients in Europe and the US.

### *Psychological Services Contract*

Royal Canadian Mounted Police awarded a multi-year contract for Psychological Services. At \$8 million over five years, this is the largest Psychological Assessments win to date.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Full Fiscal Year Highlights

### COVID-19 Response

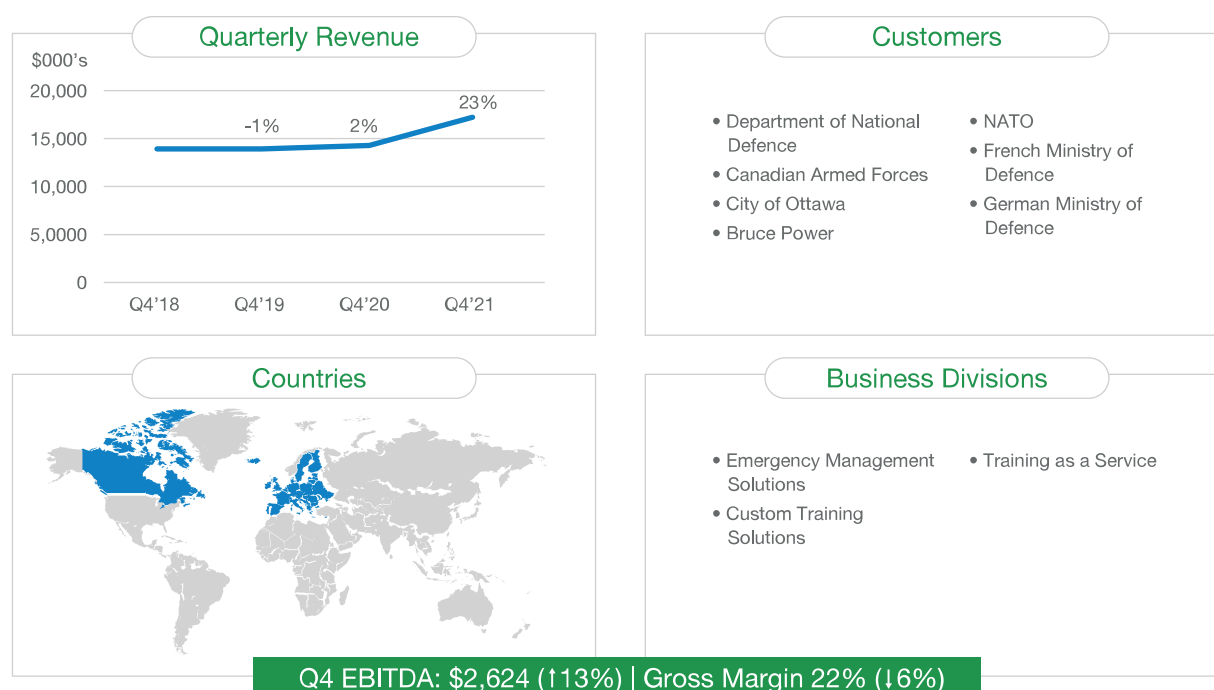
Calian is proud to have played a key role in the response to COVID-19, vaccinating over 300,000 Canadians at 21 different pop-up clinics. 25,000 of these Canadians were vaccinated as part of Operation Remote Immunity, an initiative that ensured access to the COVID-19 vaccine for residents of First Nations' elder care homes and members of Indigenous communities in 31 fly-in northern Ontario locations and Moosonee. Calian was also selected by the Government of Nunavut to provide telehealth services as part of the government's long-term pandemic preparedness strategy. The COVID-19 hotline is staffed by Calian nurses and offers screening, education, monitoring and contact tracing for Nunavummiut, who often live in remote locations a great distance from healthcare services.

### Supporting Health needs of Military Families and Veterans

While the Canadian Armed Forces (CAF) provides serving members with complete health care, their family members rely on the provincial health systems, presenting a unique challenge for military families who relocate frequently due to postings. Created in partnership with Military Family Services, a division of Canadian Forces Morale and Welfare Services, the Military Family Doctor Network uses the Calian network of health clinics to help connect military family members with participating physicians. To date, MFDN has referred more than 3,500 family members to physicians.

In 2021, Calian initiated two new pilots to support military families and veterans. The first is the Military Family Patient Support Program, delivered in collaboration with Canadian Forces Morale Welfare Services. This program provides on-demand home care for dependents when active-duty military are called away to meet the demands of their roles. The Veteran Care pilot is focused on the western Ontario catchment of the Operation Stress Injury (OSI) Clinic. Calian assists veterans in securing a family doctor when they are released from the OSI Clinic program, easing their transition to their home community and ensuring continuity of care. To support this program, Calian, in collaboration with Queen's University researchers, produced culturally informed, evidence-based guides for healthcare providers meeting with veterans and veterans meeting with healthcare providers. These guides have been provided to VAC for wider use and distribution.

## Learning



\* Compared to same time period last year. Figures in \$000's.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Calian is a trusted provider of specialized training services and solutions for the Canadian Armed Forces, NATO and clients in the defence, health and energy sectors and enables clients to reach competency and validate learning plans and team performance. Calian provides consulting services in emergency management, training and advanced training technologies to federal and provincial governments, municipalities, Indigenous communities, and the private sector, primarily in domestic markets.

Learning offers full-service training programs and services ranging from needs analysis and program design, development and delivery to administration and evaluation. The goal is to help clients reduce student time-to-competency. Calian training consulting services help clients achieve learning outcomes and optimize their workforce.

Complementing the training services are products and technology. Calian MaestroEDE™ is a tool used to design, develop and deliver high-fidelity, collective training exercises for military customers. Calian ResponseReady™ is an online platform and simulation tool that supports emergency management training exercise delivery and evaluation. Recently-acquired SimFront offers augmented, virtual and mixed reality technology for immersive training solutions.

### Financial performance

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 17,561	\$ 14,282	\$ 74,622	\$ 57,834
Gross profit	3,848	3,327	17,337	12,451
Selling and marketing	181	230	866	987
General and administration	1,043	778	4,036	2,882
Research and development	-	-	-	-
Profit before under noted items	\$ 2,624	\$ 2,319	\$ 12,435	\$ 8,582

Revenue increased by 23% for the three-month period and 29% for the twelve-month period ended September 30, 2021 when compared to the same periods of the prior year. Acquisitive growth from Cadence Consultancy and Custom Training Solutions (“CTS”) for the three-month period ended September 30, 2021 was 1% and twelve-month periods ended September 30, 2021 was 9% when compared to the same periods of the previous year. Organic growth comes largely from existing customers where in the prior year the Learning segment was impacted significantly with government-imposed stay at home orders causing shutdowns at customer sites. The Segment has pivoted over the last 12 months to deliver more services remotely for customers who are willing to do so.

Gross margin has decreased from 23% to 22% for the three-month period and increased from 22% to 23% for the twelve-month period ended September 30, 2021 due to a focus on margin efficiency for ongoing projects along with revenue from recent acquisitions being earned at a higher margin. General and administration spending increased by \$265 for the three-month period and \$1,154 for the twelve-month period ending September 30, 2021 when compared to the same periods of the prior year, resulting from costs attributable to acquisitions completed within the past twelve months and the consolidation of costs related to the acquired entities.

### Fourth Quarter Highlights

#### *European Expansion*

The Calian footprint continues to grow, with strategic wins in Europe—NATO Command Structure and Battle Staff training, French Ministry of Defence and NATO Security Force Assistance Centre of Excellence, to name a few. Calian is now a leading training provider for NATO.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### *Acquisition of SimFront Simulation Systems Corporation*

With the acquisition of Canadian-based SimFront in Q1'22, Calian now offers end-to-end military training and simulation solutions—a “one stop shop” for customers. This acquisition also allows Calian to pursue new opportunities with customers seeking integration and immersive training support, not just in the defence industry but in the healthcare, oil and gas, retail industries and beyond. SimFront augmented, virtual and mixed reality solutions elevate Calian capabilities.

### *Donation to Northern Alberta Institute of Technology (NAIT)*

ResponseReady™ is the industry-leading exercise management and simulation platform that supports the creation, delivery and evaluation of highly realistic exercises that range from large-scale exercises to smaller organizational exercises and drills. Calian donated ResponseReady™ (value of \$500,000) to NAIT, ensuring that students will be fully prepared to respond to disaster, emergency and crisis events.

## Full Fiscal Year Highlights

### *Acquisition of Cadence Consultancy Limited*

In the first quarter, Calian acquired UK-based training firm Cadence, which designs, develops and delivers complex training exercises for Joint Forces Training Centre, one of the two multi-national and multi-service collective training centres in NATO, and to the wider NATO audience across Europe. Cadence also delivered operational training to members of the NATO Mission Iraq and NATO Resolute Support Mission in Afghanistan. This acquisition has accelerated the Calian expansion into Europe, allowing Calian to build upon the existing, strong relationship Cadence has with NATO.

### *Re-Win of Significant Learning Contract*

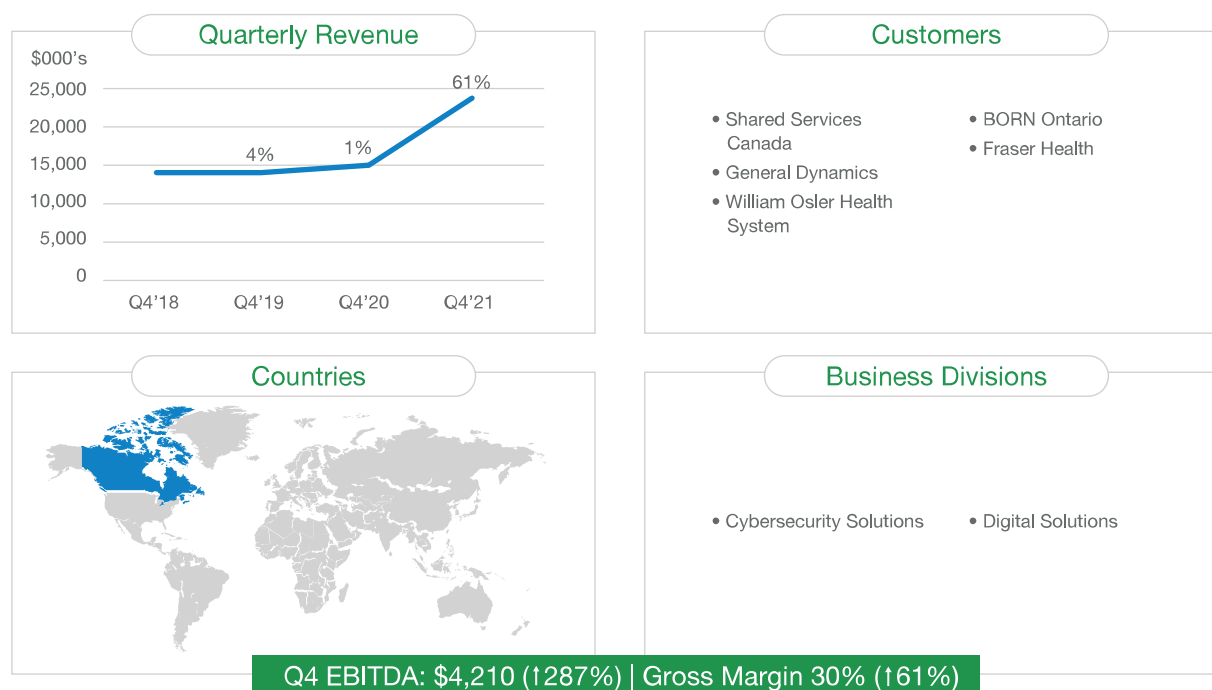
Calian re-won a contract valued at up to \$32.5 million, to provide research assistant services to the Royal Military College of Canada (RMC), a Calian customer for over 20 years. Customer retention is the first pillar of the Calian growth strategy and under this agreement Calian helps RMC University professors equip, prepare and deliver innovative solutions to Canada's extended defence community.

### *Transition to Distributed Learning Model*

For the Canadian Army Simulation Centre, the realities of the global pandemic have accelerated the transition to a distributed learning model. With a distributed learning model, training can be done independently or with a cohort—particularly helpful for those who are deployed. Customers can reach the same level of readiness without having to pull students into a centralized location. The transition to this distributed learning model has enabled contract growth and supported global training initiatives with partners like Directorate of Military Training and Cooperation (DMTC).

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Information Technology and Cyber Solutions



\* Compared to same time period last year. Figures in \$000's.

Calian IT services support customer requirements for subject matter expertise in the delivery of their complex IT solutions. With a primary focus on cloud migration, IT development, support services, SAP consulting and cybersecurity solutions, Calian supports customers at all levels of government and the private sector in the domestic market.

Cybersecurity Solutions provides public and private sector organizations with the right people, processes and technology to build actionable plans and keep their environments safe and secure.

## Financial performance

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 23,183	\$ 14,357	\$ 82,255	\$ 58,069
Gross profit	6,880	2,642	19,981	10,344
Selling and marketing	653	724	3,027	2,770
General and administration	1,368	829	6,071	2,785
Research and development	649	1	905	2
Profit before under noted items	\$ 4,210	\$ 1,088	\$ 9,978	\$ 4,787

Revenues increased by 61% for the three-month period and 42% for the twelve-month period ended September 30, 2021, compared to the same periods of the previous year. The growth related to acquisitive revenue is 52% for the three-month period and 35% for the twelve-month period. The additional organic growth can be attributed to the growth in demand for Cyber services.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Gross margin increased from 18% to 30% in the three-month period and from 18% to 24% for the twelve-month period ended September 30, 2021 when compared to the same periods of the previous year. This is primarily related to a higher margin percentage earned from acquisitive revenue.

General and administrative expenses increased by \$539 in the three-month period and \$3,286 for the twelve-month period ended September 30, 2021 when compared to the same periods of the previous year. This increase directly relates to one-time acquisition related costs of \$1,792 in the twelve-month period ended September 30, 2021 and additional general and administrative expenses from the consolidation of recent acquisitions. Excluding the one-time costs related to the acquisition of Dapasoft, EBITDA margins were 14% for the twelve-months ended September 30, 2021, which compares to 8% in the same period of the previous year.

### Fourth Quarter Highlights

#### *New President, IT and Cyber Solutions*

Sacha Gera joined Calian as the new President, ITCS in the fourth quarter. Mr. Gera has nearly twenty years of experience in SaaS industries, professional services and M&A, working in technology for both start-ups and large multinational organizations, such as IBM, Nortel and CGI. He plans to build on the momentum created by Sandra Cote—who is retiring at the end of the calendar year—to expand the portfolio and position Calian as a cyber and cloud leader in the Canadian, US and European markets.

#### *Winner of 2021 Microsoft Canada Healthcare Impact Award*

These annual Canadian awards recognize Microsoft partners that have focused on bettering the lives of Canadians and demonstrated excellence in delivering customer solutions based on Microsoft technology. Dapasoft, a Calian acquisition, won for the third consecutive year, this time for Corolar Virtual Care (CVC), which helps acute care providers quickly roll out premium virtual clinic services.

#### *iSecurity Wins*

iSecurity, a recent acquisition in the Managed Security Service Provider (MSSP) space, landed contracts with five new and four existing customers, exemplifying the Calian focus on customer retention and diversification. These contracts range from five to 24 months in length. Contracts span the healthcare, financial, government, insurance and retail industries.

#### *Improving maternal-child health outcomes in Ontario*

In the fourth quarter, Calian signed a multi-year extension to an agreement with BORN Ontario. Calian was selected to integrate data from five providers into a single system, ensuring that each individual baby born in Ontario has received all relevant testing to help improve maternal-child health outcomes. The result is better care for Ontario families, and Ontario is positioned as a world leader in prenatal and newborn research.

### Full Fiscal Year Highlights

#### *Dapasoft Acquisition*

Since being acquired in the second quarter, Dapasoft has made significant, positive contributions, particularly with regard to the Corolar Virtual Care (CVC) solution. CVC was adopted by five healthcare networks serving more than five million Canadians, allowing healthcare providers to offer a premium virtual care experience for patients.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## *Increased Demand for Virtual Care Technologies*

Calian continues to benefit from the convergence of two healthcare industry trends: the need for virtual care technologies that enable a seamless patient experience and the rising pressure on hospitals and health teams to increase efficiencies and scale expertise across their networks through care collaboration. Early in the COVID-19 pandemic, we saw customers quickly adopting virtual care as part of their delivery. Now, customers are looking for a strategic partner to help them implement a sustainable model that leverages existing investments while adapting to the changing needs of their communities. An example of this integrated care model is the fourth quarter pilot program for Fraser Health in British Columbia, part of a national focus on finding new ways to deliver mental health services. The Dapasoft solution incorporated integration with the Electric Health Record (EHR) system to eliminate the need for manual patient data entry and online intake forms, reducing time spent on administrative tasks. The result is an improved patient experience with better coordination of care and the option to include multiple providers and family members in a single session.

## Summary

In summary, 2021 continued to be a trying time for most, navigating pandemic restrictions and supply chain issues. Despite these challenges, strong leadership and a first-in-class team has led to the Company's strongest performance in its history from both a revenue and gross margin perspective. The Company was quick to pivot delivery methods and service offerings, to continue to deliver trusted products and solutions with a focus on growth. All operating segments saw growth in revenue and margin percentage in the year as they all continue to execute on their innovation strategies. Additionally, the Company signed over \$448,000 in new contract value in the year to increase backlog to \$1,270 million entering into fiscal 2022.

While COVID-19 presented challenges, it also presented opportunities for the Health and ITCS segments. Through pop-up vaccination clinics, rapid testing and screening opportunities and virtual clinic set-ups, the Company was able to deliver over \$15,000 in COVID-19 related services in 2021. These customer requirements will not cease in the near term, rather, they will change as the pandemic continues to evolve.

2021 was an exciting and prosperous year for Calian, with continued growth from M&A through three acquisitions, including the Company's largest acquisition to date in Dapasoft. The company continues to leverage market opportunities for M&A to expand service offerings. This is aligned with the three-year plan to expand customer base and reach new geographies while increasing margins.

The Calian team remains focused on finding additional leverage across each of the segments as they expand their presence, as well as work within Calian to help customers solve significant and complex problems—problems that stand in the way of better health, communications, learning and security.

The Company continues to invest in infrastructure to maintain a profitable growth agenda. This includes investment in sales & marketing, research and development and information systems infrastructure to enable staff to be effective, in the office, at home and at customer locations.

Calian is a diverse company which has consistently demonstrated the ability to provide excellent returns for shareholders. Under the framework of a common strategy, each segment of the company has the ability, capacity and management focus to control and manage their respective business segment. Calian is an innovative company, proudly Canadian, and focused on sustaining this positive momentum into the next fiscal year.

## Reconciliation of non-GAAP measures to most comparable IFRS measures

These non-GAAP measures are mainly derived from the consolidated financial statements, but do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently. The exclusion of certain items from non-GAAP performance measures does not imply that these are necessarily nonrecurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure. Other entities may define the above measures differently than we do. In those cases, it may be difficult to use similarly named non-GAAP measures of other entities to compare performance of those entities to the Company's performance.



## Management's Discussion and Analysis of Financial Condition and Results of Operations

Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of the Company's financial reports with enhanced understanding of the Company's results and related trends and increases transparency and clarity into the core results of the business. Adjusted EBITDA excludes items that do not reflect, in our opinion, the Company's core performance and helps users of our MD&A to better analyze our results, enabling comparability of our results from one period to another.

### Adjusted EBITDA

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net profit	\$ 1,093	\$ 6,886	\$ 11,155	\$ 20,360
Depreciation of equipment and application software	1,112	969	4,285	2,976
Depreciation of right of use asset	781	734	3,054	2,771
Amortization of acquired intangible assets	3,374	1,684	11,731	5,166
Lease interest expense	107	123	450	475
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
Interest expense (income)	63	19	360	185
Deemed Compensation	906	-	4,006	-
Other changes in fair value	-	-	-	(101)
Income tax	1,431	1,560	6,552	6,860
Adjusted EBITDA	\$ 12,423	\$ 9,203	\$ 51,929	\$ 36,810

### Adjusted Net Profit and Adjusted EPS

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net profit	\$ 1,093	\$ 6,886	\$ 11,155	\$ 20,360
Other changes in fair value	-	-	-	(101)
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
Deemed Compensation	906	-	4,006	-
Amortization of intangibles	3,374	1,684	11,731	5,166
Adjusted net profit	8,929	5,798	37,228	23,543
Weighted average number of common shares basic	11,271,536	9,732,754	10,599,693	9,044,588
Adjusted EPS Basic	0.79	0.60	3.51	2.60
Adjusted EPS Diluted	\$ 0.79	\$ 0.59	\$ 3.50	\$ 2.59

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company uses adjusted net profit and adjusted earnings per share, which remove the impact of our acquisition amortization and gains, resulting in accounting for acquisitions and changes in fair value to measure our performance. These measurements better align the reporting of our results and improve comparability against our peers. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. Adjusted profit and adjusted earnings per share are not recognized, defined or standardized measures under the International Financial Reporting Standards. Our definition of adjusted profit and adjusted earnings per share will likely differ from that used by other companies (including our peers) and therefore comparability may be limited. Non-GAAP measures should not be considered a substitute for or be considered in isolation from measures prepared in accordance with International Financial Reporting Standards. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-GAAP measures and view them in conjunction with the most comparable International Financial Reporting Standards financial measures. The Company has reconciled adjusted profit to the most comparable International Financial Reporting Standards financial measure as shown above.

### Consolidated Net Income and Other Selected Financial Information

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Profit before under noted items	\$ 12,423	\$ 9,203	\$ 51,929	\$ 36,810
Depreciation of equipment and application software	1,112	969	4,285	2,976
Depreciation of right of use asset	781	734	3,054	2,771
Amortization of acquired intangible assets	3,374	1,684	11,731	5,166
Other changes in fair value	-	-	-	(101)
Deemed Compensation	906	-	4,006	-
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
Profit before interest income and income tax expense	2,694	8,588	18,517	27,880
Lease interest expense	107	123	450	475
Interest expense (income)	63	19	360	185
Income tax expense	1,431	1,560	6,552	6,860
Net profit	1,093	6,886	11,155	20,360
Net profit per share, basic	0.10	0.71	1.05	2.25
Total assets	457,969	331,053	457,969	331,053
Dividends per share	\$ 0.28	\$ 0.28	\$ 1.12	\$ 1.12

Depreciation increased by \$143 in the three-month period, and \$1,309 in the twelve-month period ended September 30, 2021 when compared to the same periods in the year prior due to higher balances of assets across the organization, depreciation of the capitalized research and development asset which began in the prior year subsequent to the first quarter, and capital expenditures to sustain the Company's growth.

Depreciation of right of use assets increased by \$283 in the twelve-month period ended September 30, 2021 when compared to the same period in the year prior due to lease additions that occurred within the 12 months prior, and newly acquired entities with leases in the 12 month period. Further information regarding the lease accounting and depreciation can be found in the third quarter 2021 financial statements in note 11.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Amortization of acquired intangible assets has increased by \$1,690 in the three-month period and \$6,565 in the twelve-month period ending September 30, 2021 when compared to the same periods of the previous year due to acquisitions in the prior year of Alio and Allphase, Comprehensive Training Solutions AS, EMSEC Solutions, Tallyman Wireless, and current year intangibles acquired through Cadence, InterTronic and Dapasoft.

Changes in fair value related to contingent earn out has increased by \$6,328 in the three-month period and \$12,218 in the twelve-month period ended September 30, 2021 when compared to the same periods of the previous year. This increase is attributable to a change in estimate of Dapasoft contingent earn out payable as the company is outperforming initial expectations, along with an increase in share price for Calian Group Ltd., which causes revaluation of the earn out payable in shares of the company, additional value adjustments to bring the earn out amounts from present value to their fair values anticipated to be paid, slightly offset by a change in estimate of the contingent earn out to pay for EMSEC Solutions who has been underperforming initial expectations and InterTronic Solutions change in estimate relating to the contingent earn out amounts recognized at acquisition date. Deemed compensation increased by \$906 for the three-month period, and \$4,006 for the twelve-month period ended September 30, 2021 when compared to the same periods of the previous year. The change in fair value of contingent payments and deemed compensation are explained further in note 26 of the Financial Statements.

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended September 30, 2021 was \$1,431, which compares to the \$1,560, in the same period of the previous fiscal year. The provision for income taxes for the twelve-month period ended September 30, 2021 was \$6,552 which compares to the \$6,860, in the same period of the previous fiscal year. The difference in effective tax rates is primarily due to the increase in non-taxable items in the statement of profit and loss including intangible amortization and changes in fair value related to contingent earnout amounts which are quite significant to the company, and account for significant fluctuations in tax rate where income tax is a percentage of earnings before tax.

### Backlog

The Company's realizable backlog at September 30, 2021 was \$1,270 million with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended September 30, 2021 the following contracts were the major contributors to the Company's backlog. These contracts are further described in the business overview section of this Management Discussion and Analysis.

- \$2M Communication Ground Systems contract amendment
- \$7M Data Remediation and Marking of Serialy Managed Material contract amendment
- \$3M Ainsworthiness contract extension
- \$3M COVID-19 Isolation Hubs contract win
- \$5M Virtual COVID-19 Program Services contract win
- \$8M RCMP Psychological Evaluations contract win
- \$13M Tele-Nursing Services contract win

There were no contracts which were cancelled unexpectedly that would have resulted in a significant decrease in our backlog.

Most fee-for-service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value. The following table represents management's best estimate of the backlog realization for fiscal year 2021, fiscal year 2022 and beyond based on management's current visibility into customers' existing requirements.

Management's estimate of the realizable portion (current utilization rates and known customer requirements) is less than the total value of signed contracts and related options by approximately \$251 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### Contract Backlog as of September 30, 2021

Contracted backlog	\$	660,606
Option renewals		860,999
	\$	1,521,605
Management estimate of unrealizable portion		(251,485)
Estimated Realizable Backlog	\$	1,270,120

### Estimated recognition of Estimated Realizable Backlog

	October 1, 2021 to September 30, 2022	October 1, 2022 to September 30, 2023	Beyond September 30, 2023	Total
Advanced Technologies	\$ 95,275	\$ 28,611	\$ 26,778	\$ 150,664
Health	144,786	120,816	510,145	775,747
Learning	58,175	50,103	156,433	264,711
Information Technology	49,767	17,856	11,375	78,998
Total	\$ 348,003	\$ 217,386	\$ 704,731	\$ 1,270,120

### Statement of Cash Flows

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Cash flows from operating activities before changes in working capital	\$ 11,300	\$ 10,477	\$ 42,520	\$ 33,681
Changes in working capital	16,366	(10,241)	4,022	(36,434)
Cash flows from (used in) operating activities	27,666	236	46,542	(2,753)
Cash flows from (used in) financing activities	(2,933)	(1,814)	64,440	45,042
Cash flows from (used in) investing activities	(2,172)	(20,483)	(56,606)	(35,189)
Increase (decrease) in cash	\$ 22,561	\$ (22,061)	\$ 54,376	\$ 7,100

### Operating Activities

Cash inflows from operating activities for the three-month period ended September 30, 2021 were \$27,666 compared to cash inflows of \$236 in the same period of the prior year. On a twelve-month basis, cash inflows total \$46,542 for the period ended September 30, 2021 when compared to outflows of \$2,753 for the same period of the previous year.

Working capital (accounts receivable, work in process, inventory, prepaid expenses and other, inventory, accounts payable and accrued liabilities, provisions and unearned contract revenue) has a positive affect on cash flows by an increase of \$16,366 in the three-month period ended September 30, 2021, and stood at a net balance of \$89,998, which is at its lowest level in over 4 quarters.

Factors related to the overall change in working capital were: decrease in work in process in the current three-month period of \$29,000 as larger projects are rapidly hitting milestones in the fourth quarter. Accounts receivable is flat, even with the \$29,000 of billings from work in process which were predominantly collected by year end. This is offset by a decrease in accounts payable of \$6,000 as previous quarterly cash management had come due.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Financing Activities

### Lease payments

The Company has made payments of \$782 for the three-month period and \$3,033 for the twelve-month period ended September 30, 2021 when compared to the payments of \$656 and \$2,508, respectively for the same periods of the previous year which relate to leases accounted for in accordance with IFRS 16. Increases relate to new leases signed in the current year, and additional leases brought on through acquisitions.

### Dividend

The Company has maintained its dividend for the three-month period ended September 30, 2021. The Company paid dividends totaling \$3,156 for the three-month period ended September 30, 2021 or \$0.28 cents per share, and \$11,826 for the twelve-month period then ended, or \$1.12 cents per share compared to the same periods of the previous year when the Company paid \$2,747 and \$9,938, respectively, in dividends or the same amount per share as the current periods. The increase in dividends paid is due to a higher number of common shares outstanding year over year.

### Debt

In the three and twelve month periods ended September 30, 2021, the Company had NIL drawn or paid on its credit facility This compares to the twelve-month period ended September 30, 2021 where the company repaid its previous credit facility, resulting in a outflow of \$13,000.

### Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of \$1,005 for the three-month period, and \$3,299 for the twelve-month period ended September 30, 2021 when compared to an inflow of \$1,589 and \$5,782, respectively, for the same activities in the same period of the prior year.

On March 17, 2021 the Company announced that it had completed a bought deal public 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, including common shares issued pursuant to the partial exercise of the over-allotment option granted to the underwriters. The Offering was conducted by a syndicate of underwriters co-led by Desjardins Capital Markets and Acumen Capital Finance Partners Limited, and included Canaccord Genuity Corp., CIBC Capital Markets, Stifel GMP, Echelon Capital Markets, Laurentian Bank Securities and Cormark Securities Inc.

## Investing activities

### Equipment expenditures and Capitalized Research and Development

The Company invested \$2,430 in the three-month period and \$7,419 for the twelve-month period ended September 30, 2021, when compared to \$1,521 and \$4,574, respectively, for the same periods of the prior year. Acquisitions of equipment in the current period are mainly attributed to the Company's ERP implementation and general capital expenditures.

The Company invested \$93 in capitalized research and development in the three-month period and \$430 in the twelve-month period ended September 30, 2021, when compared to \$107 and \$1,227, respectively, for the same periods of the prior year.

### Acquisitions

The company had no acquisitions in the three-month period, but had incoming receipt from the settlement of closing transaction price with Dapasoft which resulted in a cash inflow of \$351 in the three-month period ended September 30, 2021. In addition, the company acquired InterTronic, Dapasoft and Cadence in the twelve-month period, resulting in a total cash outflow of \$48,757 for the twelve-month period ended September 30, 2021. In the twelve-month period of the previous year, the company had acquired Alio and Allphase, CTS and EMSEC which resulted in a cash outflow of \$29,288.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Investments

No investment was made in the current period compared to a \$100 minority investment made in the twelve-month period ended September 30, 2020 in Cliniconex as described in Note 12 of the Financial Statements.

## Liquidity and Capital Resources

### Cash

Calian cash and cash equivalent position was \$78,611 at September 30, 2021, compared to \$24,235 at September 30, 2020.

### Capital resources

At September 30, 2021, the Company had a credit facility of \$80,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company.

Management believes that the company has sufficient cash resources to continue to finance its working capital requirements and pay a quarterly dividend.

### Off-balance sheet arrangements

There were no off-balance sheet arrangements at September 30, 2021.

### 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.

## Critical accounting judgements and key sources of estimation uncertainty

### Estimates:

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

### *Project completion for revenue*

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

### *Impairment of goodwill and intangible assets*

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

### *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.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### *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 of the September 30, 2021 annual financial statements. In applying this policy, judgments are made in applying the criteria set out in IFRS 9 – Financial instruments, to record financial instruments at fair value through profit or loss, and the assessments of the classification of financial instruments and effectiveness of hedging relationships.

#### *Business combinations*

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

#### *Accounting policy for equipment and intangible assets*

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

#### *Deferred income taxes*

The Company's accounting policy with regards to income taxes is described in Note 2 of the September 30, 2021 annual financial statements. 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 percentage of completion. 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.

### **Management conclusion on the effectiveness of disclosure controls**

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of September 30, 2021, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them and that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Management conclusion on the effectiveness of internal control over financial reporting

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's internal control over financial reporting as of September 30, 2021, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending September 30, 2021, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

## Risk and Uncertainties

We are exposed to risks and uncertainties in our business, including the risk factors set forth below:

- Downturn or slowed growth in the global or Canadian economy could affect customers' ability to purchase the Company's products and services.
- The recent delays in the global supply chain and scarcity of materials may impact the Company's ability to secure the materials and components required to meet customers' needs and contractual obligations. Inflationary prices may also cause a decrease in customer spending which would negatively impact future sales.
- The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary closures, quarantines, global stock market and financial market volatility, declining trade and market sentiment; all of which have and could further effect on interest rates, credit ratings and credit risk. The continued spread of COVID-19 in Canada, and globally, could adversely impact the Company's business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on the business, financial condition and results of operations.
- The Company conducts acquisitions and faces risks associated with those acquisitions and the integration of the acquired business.
- The Company has experienced significant growth in recent years, due to a combination of numerous acquisitions, its ability to generate new business, entry into new domestic and international markets, the diversification of product and service offerings, and customers' increased demand for the Company's products and services. The Company's future growth could be impeded by external factors such as slow economic growth, inflation, redundancy of certain products or services, loss of market share to competitors, limited resources to funds growth, or a variety of other factors. Moreover, the business could be harmed if the Company fails to manage its growth effectively.
- The Company must compete for qualified employees for its own operations and must have ready access to a large pool of qualified professionals to satisfy contractual arrangements with customers.
- In the event that an operating segment cannot secure an appropriate workforce, such operating segment may not be in a position to bid on or secure certain contracts.
- The Company's success depends on the engagement and contributions of senior management personnel, including the Chief Executive Officers. Any changes to the management team, including the hiring or departing of executives, could be disruptive to the business.
- The markets for the Company's services are very competitive, rapidly evolving and subject to technological changes.
- The Company has certain ongoing contracts that account for a significant portion of the Company's revenues and if these contracts are not renewed at expiry or should a competitor win the renewal, the Company's future revenue stream and overall profitability could be significantly reduced.



## Management's Discussion and Analysis of Financial Condition and Results of Operations

- There is a risk in all fixed-priced contracts that the Company will be unable to deliver the system within the time specified and at the expected cost.
- The Company's business is often dependent on performance by third parties and subcontractors in connection with contracts for which the Company is the prime contractor.
- The markets in which the Company operates are characterized by changing technology and evolving industry standards and the Company's ability to anticipate changes in technology, technical standards and service offerings will be a significant factor in the Company's ability to compete or expand into new markets.
- Erosion of our customers' market share for a particular product could have a direct impact on the Company's revenues and profitability.
- As newly formed entities in certain markets and industries are restructured and consolidated from time to time, opportunities for the Company may be diminished or work currently performed by the Company could be repatriated, resulting a loss of revenue.
- The government may change its policies, priorities or funding levels through agency or program budget reductions or impose budgetary constraints, which could have a direct impact on the Company's revenues and profitability.
- Most fee-for-service contracts provide the applicable customer with the ability to adjust the timing and level of effort throughout the contract life so the amount actually realized by the Company could be materially different from the original contract value.
- There is a risk that as the Company grows, credit risk increases with respect to accounts receivable.
- The Company is subject to foreign exchange risk in that approximately 22% of the Company's revenues are derived from non-Canadian sources, which can have a direct impact on the profitability of the Company.
- The Company is exposed to a range of risks related to its foreign operations.
- The Company's brand and reputation play an important role in its ability to maintain existing customers and generate new business. Any public criticism of the Company's operations could be distracting to management, costly, time consuming and harm the brand and reputation.
- Many of the Company's solutions rely upon imbedded or external software to deliver goods and services. Any software defects or security vulnerabilities could lead to service interruptions and impact the Company's ability to deliver its products and services.
- Any fraudulent, malicious or accident breach of the Company's data security could result in unintentional disclosure of, or unauthorized access to, third party, customer, vendor, employee or other confidential or sensitive data or information, which could potentially result in additional costs to the Company to enhance security or to respond to occurrences, lost sales, violations of privacy or other laws, penalties, fines, regulatory action or litigation.
- The Company is dependent upon information technology systems in the conduct of our operations and we collect, store and use certain sensitive data, intellectual property, our proprietary business information and certain personally identifiable information of our employees and customers on our networks.
- The Company competes in industries that are subject to many intellectual property rights including patents.
- The Company's insurance policies may not be sufficient to insure itself for all events that could arise in the course of the Company's business and operations.
- The Company operates in the health services sector and faces the risks inherent in that sector.
- The Company is exposed to environmental and health and safety regulations associated with its manufacturing activities.

A comprehensive discussion of risks, including risks not specifically listed above, can be found in our most recently filed Annual Information Form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of our shares to decline. If any of the noted risks actually occur, our business may be harmed and our financial condition and results of operations may suffer significantly.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Short-term outlook

	Guidance			
		Low		High
Revenue	\$	550,000	\$	590,000
Adjusted EBITDA	\$	57,000	\$	61,000
Adjusted net profit	\$	39,250	\$	42,750

## Long-term outlook

Management is confident that the Company is well positioned for sustained growth in the long term. The Company's strong contract backlog provides a solid base for the realization of future revenues. Leveraging the Company's diverse services offerings, the Company operates in global and domestic markets that will continue to require the services that the Company offers. To ensure the Company is positioned to respond to market requirements, the Company will focus on the execution of its four-pillar growth strategy:

- **Customer retention:** through continued delivery excellence, maintain a valued relationship with current customer base;
- **Customer diversification:** through increasing the percentage of its revenues derived from new business in adjacent and non-government markets, balance customer revenue into numerous global and domestic sectors;
- **Innovation:** continue investment in service offerings to increase differentiation and improve gross margin attainment;
- **Continuous improvement:** leverage innovation to improve how the company operates with a goal to streamline processes and provide for a scalable back office support capability.

The Company has completed twelve acquisitions in the past nine years and will proactively look for companies that can accelerate its growth strategy with a focus on customer diversification and innovation.

Calian Advanced Technologies segment has been working within a sustainable satellite sector and is expecting opportunities to continue to arise as systems adopting the latest technologies will be required by customers wishing to maintain and improve their service offerings and react to an increasing demand for bandwidth. We continue to invest in communications products, software development and manufacturing equipment to strengthen the segment's competitive position and diversify its customer base in the agriculture, cable and defence sectors. In the short-term, activity levels in custom manufacturing will continue to be directly dependent upon the segment's customer requirements and continuing volatility in orders is anticipated as both government and commercial customers continue to re-examine their traditional spending patterns. The delays, deferrals and cancellations of DND capital procurements have created intense competition for available manufacturing work. Finally, changes in the relative value of the Canadian dollar may negatively or positively impact the segment's competitiveness on projects denominated in foreign currencies.

The Health, Learning and ITCS segments' professional services are adaptable to many different markets. Currently, the strength of these segments lies in providing professional services, solutions, and delivery services across Canada with a significant portion of this work currently with the Department of National Defence. Recently these segments have been successful in diversifying their customer base and evolving their service offerings. Management believes that for the long term, the public and private sector will continue to require Health, Learning and ITCS services from private enterprise to achieve their business outcomes. As to the current outlook, the federal government continues to spend on priority programs and, while there is general uncertainty as to the extent of demand from this customer, at least in the short-term, spending seems to have stabilized. With recent investments in sales, marketing, acquisitions and success in new markets outside of the federal government, these segments are better positioned to manage through any potential government spending downturns. Recent acquisitions have also bolstered the performance of these segments and it is expected that, overall, the acquired companies will continue to meet and exceed the financial targets established as part of the acquisitions.

# 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:
  - Obtained and inspected the executed contract agreements;

## Independent Auditor's Report

- 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.

## Independent Auditor's Report

- 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,

## Independent Auditor's Report

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
<b>ASSETS</b>			
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
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
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
<b>SHAREHOLDERS' EQUITY</b>			
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
<b>Total Revenue</b>	20	<b>518,404</b>	<b>432,320</b>
Cost of revenues		391,667	343,164
<b>Gross profit</b>		<b>126,737</b>	<b>89,156</b>
Selling and marketing		16,334	12,336
General and administration		53,454	38,012
Research and development		5,020	1,998
<b>Profit before under noted items</b>		<b>51,929</b>	<b>36,810</b>
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)
<b>Profit before interest and income tax expense</b>		<b>18,517</b>	<b>27,880</b>
Lease obligations interest expense	11	450	475
Interest expense (income)		360	185
<b>Profit before income tax expense</b>		<b>17,707</b>	<b>27,220</b>
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
<b>NET PROFIT</b>		<b>\$ 11,155</b>	<b>\$ 20,360</b>
<b>Net profit per share:</b>			
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
<b>NET PROFIT</b>	\$ 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)
<b>COMPREHENSIVE INCOME</b>	<b>\$ 13,529</b>	<b>\$ 19,669</b>

*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
<b>Balance October 1, 2020</b>		\$ 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
<b>Balance September 30, 2021</b>		\$ 194,960	\$ 5,224	\$ 91,359	\$ 817	\$ 292,360

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
<b>Balance October 1, 2019</b>		\$ 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
<b>Balance September 30, 2020</b>		\$ 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
<b>CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>			
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)
<b>CASH FLOWS GENERATED FROM FINANCING ACTIVITIES</b>			
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
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
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)
<b>NET CASH (OUTFLOW) INFLOW</b>		\$ 54,376	\$ 7,100
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		24,235	17,135
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		\$ 78,611	\$ 24,235

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

# Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018  
(Canadian dollars in thousands)

## 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

# Calian Group Ltd. Notes to the Consolidated Financial Statements

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

## 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

# Calian Group Ltd. Notes to the Consolidated Financial Statements

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

## 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.

# Calian Group Ltd. Notes to the Consolidated Financial Statements

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

## 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.

# Calian Group Ltd. Notes to the Consolidated Financial Statements

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

## 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.



## Calian Group Ltd. Notes to the Consolidated Financial Statements

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

### 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.

# Calian Group Ltd. Notes to the Consolidated Financial Statements

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

## 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

# Calian Group Ltd. Notes to the Consolidated Financial Statements

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

## 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

# Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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## 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.

# Calian Group Ltd. Notes to the Consolidated Financial Statements

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

## 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.

# Calian Group Ltd. Notes to the Consolidated Financial Statements

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

## 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.

## Calian Group Ltd. Notes to the Consolidated Financial Statements

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

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

#### Impairment of goodwill and intangible assets

Determining whether goodwill or acquired intangible 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 valuers 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.

# Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
(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



## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
(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

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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	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	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).

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
(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,

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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.

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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.



## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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”).

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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

## Calian Group Ltd. Notes to the Consolidated Financial Statements

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### 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

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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
<b>Revenue</b>	\$ 166,591	\$ 194,936	\$ 74,622	\$ 82,255	\$ -	\$ 518,404
<b>Cost of revenues</b>	125,015	147,093	57,285	62,274	-	391,667
<b>Gross profit</b>	41,576	47,843	17,337	19,981	-	126,737
<b>Gross profit %</b>	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
<b>Profit before under noted items</b>	\$ 20,855	\$ 34,786	\$ 12,435	\$ 9,978	\$ (26,125)	\$ 51,929
<b>Profit before under noted items %</b>	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
<b>Profit before interest income and income tax expense</b>						18,517
Lease obligations interest expense						450
Interest expense (income)						360
<b>Profit before income tax expense</b>						17,707
Income tax expense – current						8,399
Income tax expense (recovery) – deferred						(1,847)
Total income tax expense						6,552
<b>NET PROFIT FOR THE PERIOD</b>						\$ 11,155

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
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### 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
<b>Revenue</b>	\$ 153,382	\$ 163,035	\$ 57,834	\$ 58,069	\$ -	\$ 432,320
<b>Cost of revenues</b>	119,391	130,665	45,383	47,725	-	343,164
<b>Gross profit</b>	33,991	32,370	12,451	10,344	-	89,156
<b>Gross profit %</b>	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
<b>Profit before under noted items</b>	\$ 21,003	\$ 23,396	\$ 8,582	\$ 4,787	\$ (20,958)	\$ 36,810
<b>Profit before under noted items %</b>	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)
<b>Profit before interest income and income tax expense</b>						27,880
Lease obligations interest expense						475
Interest expense (income)						185
<b>Profit before income tax expense</b>						27,220
Income tax expense – current						8,171
Income tax expense (recovery) – deferred						(1,311)
Total income tax expense						6,860
<b>NET PROFIT FOR THE PERIOD</b>						\$ 20,360

## Calian Group Ltd. Notes to the Consolidated Financial Statements

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### 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

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### 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)



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### 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:

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### 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).

## Calian Group Ltd. Notes to the Consolidated Financial Statements

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### 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)	-
<b>Total</b>	<b>\$ 78,611</b>	<b>\$ 452</b>	<b>\$ (38,673)</b>

	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)	-
<b>Total</b>	<b>\$ 24,235</b>	<b>\$ 206</b>	<b>\$ (14,494)</b>

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.

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
(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 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.

## Calian Group Ltd. Notes to the Consolidated Financial Statements

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

### 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.

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
(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.

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
(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

## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
(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.



## Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
(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
<b>Total</b>	<b>\$ 15,164</b>	<b>\$ 12,528</b>	<b>\$ (3,616)</b>	<b>\$ 2,615</b>	<b>\$ 11,571</b>	<b>\$ 38,262</b>

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
<b>Total</b>	<b>\$ 6,319</b>	<b>\$ 11,752</b>	<b>\$ (1,025)</b>	<b>\$ 1,117</b>	<b>\$ (2,999)</b>	<b>\$ 15,164</b>

### 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.

# Calian Group Ltd. Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020  
(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](http://www.SEDAR.com)

Dated: November 24, 2021

### Corporate Information

#### Corporate Head Office

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Web: [www.calian.com](http://www.calian.com)

#### Board of Directors

##### **George Weber**

President, WebX Consulting Ltd.  
Chair, 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**

Corporate Director

##### **Ronald Richardson**

Corporate Director

##### **Kevin Ford**

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.



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