



One Calian.

Endless
Possibilities.

One Calian. Endless Possibilities.

This year's theme, *One Calian. Endless Possibilities.*, reflects our new three-year strategic plan: *One Vision, One Purpose, One Calian 2026.*

Our goal is to continue to build a purpose-driven organization that has a strong values foundation and is growing profitably. We realize the impact we have on the world through the mission-critical work that we do every day. We help the world communicate, innovate, learn and lead safe and healthy lives.

The cover image portrays unity, a tower of four rocks representing the strength of our four segments working together to reach our \$1 billion revenue goal by the end of FY26. The ripples in the water symbolize the endless possibilities that our teamwork can achieve and the far-reaching impact Calian has on the world.

Kevin Ford, CEO, Calian Group Ltd.



Table of Contents

1	5-Year Financial Highlights
2	2023 Calian at a Glance
4	Message from the Chair
6	Message from the CEO
8	IT & Cyber Solutions
10	Health
12	Advanced Technologies
14	Learning
16	Key Performance Indicators
18	Looking Forward
20	Share Information
21	Management's Discussion and Analysis
61	Audited Annual Consolidated Financial Statements
111	Corporate Information

5-Year Financial Highlights

For the years ended September 30

(in millions of dollars, except per share amounts and percentages)

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
OPERATING RESULTS					
Revenue	658.6	582.2	518.4	432.3	343.0
Gross profit	204.2	169.2	126.7	89.2	74.7
Adjusted EBITDA ¹	66.0	65.9	51.9	36.8	27.1
Net profit	18.9	13.6	11.2	20.4	20.0
Adjusted net profit ¹	40.5	44.0	37.2	23.5	19.0
PER SHARE DATA					
Adjusted EBITDA per share - basic ¹	5.63	5.82	4.89	4.08	3.46
Adjusted EBITDA per share - diluted ¹	5.62	5.80	4.85	4.02	3.45
Net profit per share - basic	1.61	1.19	1.08	2.25	2.55
Net profit per share - diluted	1.61	1.19	1.07	2.23	2.54
Adjusted EPS - basic ¹	3.45	3.88	3.51	2.60	2.43
Adjusted EPS - diluted ¹	3.45	3.87	3.50	2.59	2.41
Dividends per share	1.12	1.12	1.12	1.12	1.12
FINANCIAL RATIOS					
Gross profit margin	31.0%	29.1%	24.4%	20.6%	21.8%
Adjusted EBITDA margin ¹	10.0%	11.3%	10.0%	8.5%	7.9%
Current ratio	1.4	1.4	2.2	2.2	1.8
FINANCIAL POSITION					
Cash and cash equivalents	33.7	42.6	78.6	24.2	17.1
Current assets	264.5	296.5	262.2	202.6	129.0
Total assets	585.7	547.2	458.0	331.1	195.0
Current liabilities	195.1	211.7	121.2	92.7	69.8
Shareholders' equity	328.3	305.2	292.4	200.4	115.1
CASH FLOW					
Cash flows generated (used) from operating activities	56.8	43.1	46.5	(2.8)	13.5
Cash flows generated (used) from financing activities	13.9	(6.2)	64.4	45.0	7.4
Cash flows generated (used) in investing activities	(79.6)	(72.9)	(56.6)	(35.2)	(25.6)

¹ This is a non-GAAP measure mainly derived from the consolidated financial statements, but does not have a standardized meaning prescribed by IFRS. Please refer to the Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures section of the Management's Discussion and Analysis.

2023 Calian at a Glance

Calian (TSX: CGY) is a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity & technology solutions. The company is headquartered in Ottawa, Ontario with locations across Canada and in the U.S., the U.K. and Europe. The company is uniquely positioned to solve the significant and complex problems its customers face so that they are better able to succeed and deliver on their objectives. The company's shares are listed on the Toronto Stock Exchange.

Mission

Calian helps the world communicate, innovate, learn and lead safe and healthy lives.

Values

- Customer-First Commitment
- Teamwork
- Integrity
- Innovation
- Respect

Four Pillars of Growth

1. Customer Retention
2. Customer Diversification
3. Innovation
4. Continuous Improvement

Key Metrics

\$659M

Revenue

4,400¹

Workforce

\$1.2B

Backlog

\$66M

Adjusted EBITDA²

31.0%

Gross Margin

18%

5-Year Revenue CAGR³

\$580M

Gross New Contract Signings

25%

5-Year Adjusted EBITDA² CAGR³

¹ Includes 3,000 employees and 1,400 contractors

² This is a non-GAAP measure mainly derived from the consolidated financial statements, but does not have a standardized meaning prescribed by IFRS. Please refer to the Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures section of the Management's Discussion and Analysis.

³ Compound annual growth rate



2023 Highlights

Balanced Capital Allocation

\$68 million
for acquisitions

\$8 million
for capital expenditures

\$13 million
for dividends

\$2 million
for share buybacks

Pristine Balance Sheet

\$255 million
debt agreement

0.1x
net debt to adjusted EBITDA² ratio

\$176 million
net liquidity to pursue growth objectives

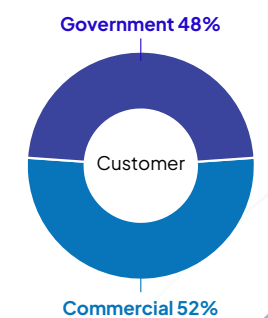
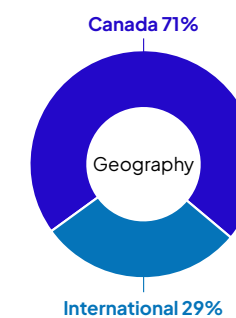
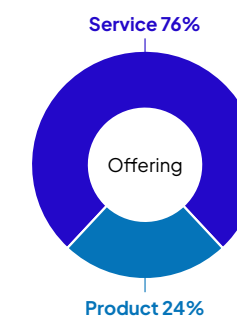
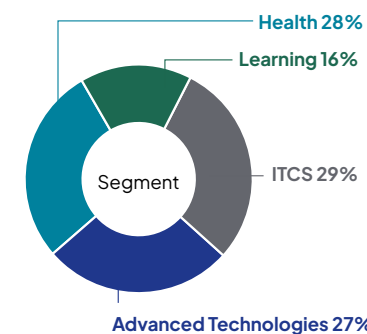
Senior Leadership Team and Board Changes

- Appointed Derek Clark to President, Health
- Appointed Michael Tremblay to President, ITCS effective December 1, 2023
- Promoted Michael Muldner to Chief Information and Technology Officer
- Promoted Robin Richardson to Senior VP, Marketing and Communications
- Promoted Carisa Gordon to Senior VP, General Counsel and Privacy Officer
- Welcomed Lori O'Neill to the board of directors

Key Developments

- Acquired Hawaii Pacific Teleport
- Launched a normal course issuer bid (NCIB)
- Expanded the company's global footprint
- Made progress on the company's ESG journey

Revenue Segmentation



Message from the Chair

One Calian. Endless Possibilities.

This year our company slogan “stability through diversity, growth through innovation” rings especially true. We posted solid results despite some increased variability in our quarters and continued to diversify our revenue streams, invest in innovation and grow globally. We also bolstered our governance and pursued our environment, social and governance (ESG) journey. The management team did a remarkable job and successfully positioned Calian for the next level of growth.



George Weber, Chair of the Board

Ending FY23 with record revenues

Revenues increased 13% to \$659 million, marking it the sixth consecutive year of record revenues at double-digit growth. Net profit stood at \$19 million, reflecting the 22nd year of profitable growth.

We continued to diversify our revenue streams with commercial customers surpassing the 50% mark again this year. With our recent acquisitions in the U.S., combined with new customers in the U.S. and Europe, our total revenues outside Canada reached 29%. Furthermore, we more than doubled our R&D investments to over \$11 million as we position Calian to benefit from higher-margin product revenues.

Enhancing our governance

Our board bench strength increased with the addition of Lori O'Neill in February. Lori brings a wealth of experience in strategic planning, complex financial matters and mergers and acquisitions, which will be an asset as we execute our ambitious growth strategy. The total number of board members now stands at eight, of which seven are independent and half are women.

During the year, we continued to build on our well-established corporate governance practices. We put in place new policies, including a director commitment policy (dealing with overboarding), an enhanced enterprise risk management policy and a business continuity policy. The governance and risk committee oversees all aspects of governance, risk and compliance, including cybersecurity, data privacy, risk management and ESG.

Moving forward on our ESG journey

Building on our ESG strategic framework, we continued our journey, executing several initiatives. We conducted our first formal materiality assessment and built action plans related to our stakeholders' key priorities, the top five being customer satisfaction, cybersecurity, climate-related risks and opportunities, business ethics and talent. We completed the development of our Taskforce on Climate-Related Financial Disclosure (TCFD) roadmap which allowed us to deliver our first formal TCFD report. We committed to the Canada Net-Zero Challenge and met the year-one program requirements which commit us to hitting net-zero by 2050. We made our first submission to the Climate Disclosure Project (CDP) and were proud to be named an Indigenous Works Employer of Choice.

In 2024 we will be conducting a climate scenario analysis to further define metrics and targets, meeting Net-Zero Challenge milestone two requirements, and launching a new corporate community investment strategy.

Creating shareholder value

FY23 marks the end of our Imagine 2023 strategic plan. During the year, we worked with the senior leadership team to develop the company's next strategic plan called One Vision, One Purpose, One Calian 2026 with the ultimate objective of reaching one billion dollars in revenues by FY26. Given our solid finish to the year and our track record of execution, we are confident we can achieve this ambitious plan.

We are committed to creating shareholder value as we have done for more than 40 years. This year marked the 30th anniversary of Calian trading on the TSX. Our share price increased about 800% (2000% including dividends) since we have been a public company, close to double the return on the TSX for the same period. In fact, out of approximately 3,500 companies trading on the TSX, Calian is the 133rd oldest company and only one of two companies that went public in the 1990's in the greater Ottawa area that is still public today.

On behalf of the board, I would like to reiterate our utmost confidence in the senior leadership team. Their ability to respond and take decisive action in response to global and market challenges ensured we were able to deliver a solid financial performance. This is a testament to the resiliency of our leaders, the flexibility of our business model and the power of teamwork. They are the right team, led by a very capable and dynamic CEO, to take Calian to the next level. By working as “One Calian” we can achieve endless possibilities.

In closing, I would like to thank our shareholders for their continued support. We recognize that our share price has been under pressure since the publication of our third quarter results. We do not believe the current Calian share price reflects the company's current value and future growth prospects. We have put in place a normal course issuer bid to support our shares while we work tirelessly to execute our growth plan and regain market confidence. We will let our results speak for themselves.

A handwritten signature in black ink, appearing to read "G. Weber", written in a cursive style.

George Weber
Chair of the Board

“FY23 represents the sixth consecutive year of record revenues and the 22nd consecutive year of profitable growth.”

Message from the CEO

One Calian. Endless Possibilities.

Fiscal year 2023 was another record year across several key performance indicators. We reported record revenues, gross margin and adjusted EBITDA, advanced on our four pillars of growth, progressed on our M&A agenda, enhanced our bench strength and ended the year in a solid financial position to pursue our journey to one billion dollars. We are very proud of these results even though they are not currently reflected in our share price.



Kevin Ford, CEO, Calian Group Ltd.

Financial performance—another record year

Revenues increased 13% to reach a record \$659 million, driven by growth in all four operating segments through a combination of acquisitions (Computex and Hawaii Pacific Teleport (HPT)) and organic growth. The Health, Learning and Advanced Technologies segments all posted double-digit organic growth while the ITCS segment experienced high single-digit growth primarily due to the full-year contribution of the Computex acquisition completed last year.

Gross profit surpassed the \$200-million mark for the first time. Gross margin attained its highest level ever for a single year at 31.0% driven by an increase in volume and a favourable revenue mix. Adjusted EBITDA slightly increased compared to last year as it was impacted by a reduction in volume from ITCS as well as various growth investments we made at the end of FY22 that increased operating expenses.

Advanced on our four pillars of growth

We advanced on our four pillars of growth (customer retention, customer diversification, innovation and continuous improvement) across the organization.

We had a lot of traction with our customer retention and diversification objectives. In ITCS, we signed new customers, such as Shared Services Canada, expanded our share of wallet with others and earned various partner recognition awards. In Health, we gained new business with strategic customers like IRCC¹ and Indigenous Services Canada and launched a new Digital Health portfolio of products. In Advanced Technologies, we gained new business with key customers, such as CCMEQ² and MDA, acquired HPT and had tremendous success with our products portfolio. In Learning, we experienced strong demand for military training in Canada and continued to expand our global footprint in NATO countries.

To support our innovation pillar, we made a \$2.7-million investment in Field Effect Software (ITCS), developed features for our training software in cooperation with NATO

(Learning), received funding of \$520K from the Canadian Space Agency to further develop RF over IP technology³ (Advanced Technologies) and became a member of CDISC⁴ which aims to improve medical research and related areas of healthcare (Health).

In terms of continuous improvement, we implemented a restructuring plan to address certain cost inefficiencies across the organization. The plan is expected to generate annual savings of approximately \$8 million to drive a more optimal level of growth and profitability.

Balanced capital allocation and strong financial position

Driven by our solid financial performance, we generated \$57 million of cash flow from operations. We used our cash primarily to make acquisitions as they continue to play a key role in our growth. We acquired HPT, a U.S. satellite communications provider. In addition to expanding our footprint in the U.S., HPT brings a strong mix of recurring revenue streams, cross-selling opportunities and a high-margin business. Post year end, we announced the acquisition of Decisive Group⁵ which will help strengthen our IT & Cyber Solutions capacity across our government and commercial customer base.

We also used our cash to provide a return to shareholders in the form of dividends and share buybacks. We launched a normal course issuer bid in September to enhance shareholder value following the financial market reaction to our third quarter results.

After closing a new debt facility in July, we ended the year with \$176 million of net liquidity to pursue our growth.

Looking ahead

FY23 successfully capped off our *Imagine 2023* three-year strategic plan. We achieved our revenue, diversification and technology targets. On October 1, 2023, we launched our new three-year strategic plan called *One Vision, One Purpose, One Calian 2026*. This plan builds on *Imagine 2023* with the objective of reaching one billion dollars in revenue by continuing to deploy capital effectively, invest in innovation, continue to expand our global operations and invest in our talent.

We are confident that we can achieve this target given our pristine balance sheet, growth momentum, solid backlog, robust pipeline of acquisitions and our strong and incredibly talented team.

In March, following the retirement of Gordon McDonald, we appointed Derek Clark to the position of President, Health. In November, we appointed Michael Tremblay to the position of President, IT and Cyber Solutions, effective December 1. We have a well-balanced senior leadership team and I am excited to work with them to continue to take Calian to new heights.

In closing, I would like to thank our employees for their hard work and dedication throughout the year. You continue to rise to challenges and I know you are proud of Calian living its core purpose of helping the world innovate, communicate, learn and lead safe and healthy lives. I would also like to thank our customers for their loyalty and our suppliers for their collaboration. To our shareholders who continue to support long-term growth, we appreciate your trust. And finally, I thank our board of directors for their confidence, guidance and support of our growth plans.

Kevin Ford
CEO, Calian Group Ltd.

“We are confident we can achieve \$1 billion in revenues by FY26 given our pristine balance sheet, growth momentum, solid backlog, robust pipeline of acquisitions and our strong and incredibly talented team.”

¹ Immigration, Refugees and Citizenship Canada

² Canada Centre for Mapping and Earth Observation

³ RF over IP is the ability to digitize and transport radio frequency signals over an internet protocol network without data loss, removing many limitations found in analog RF.

⁴ Clinical Data Interchange Standards Consortium

⁵ This transaction was completed on December 1, 2023.

IT & Cyber Solutions Highlights

Offers IT and cybersecurity solutions to support customers in their digital transformation from advisory through to implementation, as well as the delivery, management, monitoring and securing of complex IT infrastructures.

2023 Results

\$189M

Revenue

36%

Gross margin

\$23M

Adj. EBITDA⁵

12%

Adj. EBITDA margin⁵

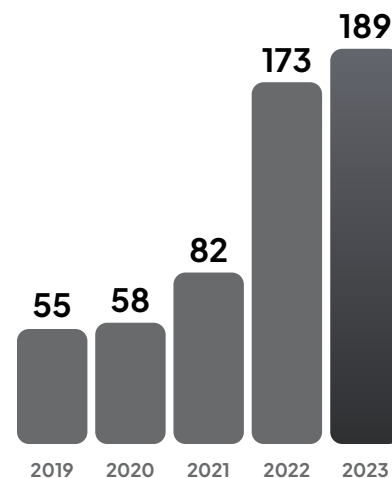
\$141M

Backlog

\$247M

Gross New Contract Signings

5-Year Revenue (in millions of \$)



Revenue growth in fiscal year 22 and fiscal year 23 was propelled by the acquisition of Computex in March 2022.

Highlights

- Appointed Michael Tremblay as new President, ITCS, subsequent to year end.
- Signed \$247 million of new contracts in FY23 for such customers as Shared Services Canada, GDP Companies and Resound Networks as well as for one of the world's leading gas companies, a family entertainment company and a powersports company.
- Recognized as an Elite 150 on CRN's¹ Managed Service Provider 500 list for 2023.
- Earned various partner recognition awards from CrowdStrike, Cisco, Microsoft, OECM², Proofpoint and Forescout.

Growth driven by acquisition in the U.S.

Revenues increased by 9% to \$189 million in FY23. This growth was primarily driven by the full-year impact of the Computex acquisition completed last year and growth in its overall cyber business. It was partially offset by lower shipments in its U.S. product resale business in the second half of the year.

Realigned costs to run rate level of business

Gross margins increased year-over-year due to the acquisitive revenue coming in at higher margin. Conversely, adjusted EBITDA⁵ margin decreased due to lower revenues relating to its product resale business in the U.S. coupled with a highly fixed-cost business, as well as growth investments made since the start of the fiscal year. Cost reductions were implemented in the fourth quarter to realign sales and marketing and delivery capacity with the run rate level of business.

In FY24 the ITCS segment will focus on integrating the Decisive Group³ acquisition, leverage its new footprint in Canada and the U.S. to cross-sell its entire portfolio and expand into new geographies and new vertical markets.

"I am excited to join Calian and lead the ITCS team to new heights and continued commitment to customer success."

Michael Tremblay⁴,
President ITCS

Won two contracts with Shared Services Canada

The ITCS segment won two contracts with Shared Services Canada (SSC). SSC delivers modern, secure and reliable IT and digital services to Government of Canada organizations who provide services to Canadians.

The contract is valued at a total estimated cost of \$17.57 million – with options for a potential value up to \$43.75 million. Under the scope of each contract, SSC has engaged Calian to source talent for five critical categories of Informatics professional services. Calian will support critical branches of SSC, including Networks and Security Services and Digital Services. Efforts will also assist in the establishment of the next generation of Government of Canada Secret Infrastructure (GCSI) – an SSC managed service security solution. Calian will help to expand the capabilities of GCSI and support new and ongoing projects and systems with a high degree of complexity and spanning many disciplines.

The ITCS segment's expertise in this area will ensure that SSC receives the right talent, at the right time, to drive these important initiatives across their organization. These contracts demonstrate the value that Calian continues to bring to the Government of Canada.

¹ A media brand of The Channel Company

² Ontario Education Collaborative Marketplace

³ This transaction was completed on December 1, 2023

⁴ Effective start date December 1, 2023

⁵ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Health Highlights

Combines deep domain expertise in healthcare services, pharma solutions and digital technologies to enable better access to care. With a vast network of over 2,800 healthcare professionals spanning 85 specialties, Calian's Health segment improves access to care by connecting patients and providers with service delivery, clinical knowledge and digital technology.

2023 Results

\$185M

Revenue

26%

Gross margin

\$33M

Adj. EBITDA³

18%

Adj. EBITDA margin³

\$633M

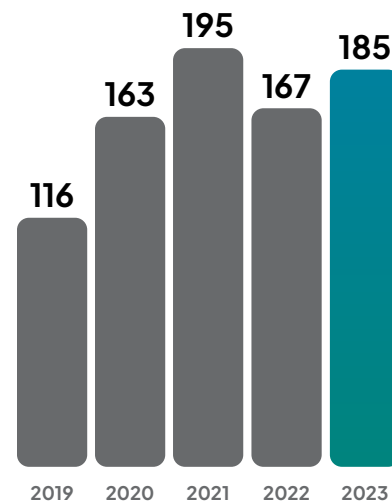
Backlog

\$115M

Gross New Contract Signings

5-Year Revenue

(in millions of \$)



Revenue growth in fiscal 20 and fiscal 21 was driven by one-time contracts from the COVID-19 pandemic.

Highlights

- Improved bench strength with the appointment of Derek Clark as President, Health and the additions of a VP Sales, VP Strategy & Growth and new Chief Psychologist to the team.
- Signed \$115M million of new contracts in FY23 with such customers as IRCC¹, Indigenous Services Canada and Syantra.
- Launched a Digital Health portfolio and signed its first SaaS² customer for Calian[®] Nexi[™].
- Continued strong performance of its pharmaceutical solutions business with new and renewed contracts.

Successfully backfilled one-time work generated from the pandemic

Revenues increased 11% to \$185 million in FY23. This growth was all organic and was driven by higher customer demand on long-term contracts, new business wins from clinician services and a solid performance from contract research organization (CRO) services.

Margins up on revenue mix

Both gross margins and adjusted EBITDA³ margins increased in FY23. This growth was driven by increased revenues and higher-margin business, partially offset by increased operating expenses.

In FY24 the Health segment will focus on making strategic acquisitions, ramping up its digital strategy while trying to maintain a good balance between investments and growth. Margins are expected to decrease as there will be increased investments for growth.

“The Health segment is currently close to a \$200 million run-rate business and represents one of the largest coast-to-coast players in Canada.”

Derek Clark, President Health

Launched a Digital Health portfolio

In order to leverage increasing demand for health care services propelled by aging demographics, the Health segment combined its digital assets (Corolar[™] Interoperability, Corolar Patient Care Collaboration and Nexi) under one umbrella to create a suite of technologies that will enable the delivery of more efficient and effective care. While this new division only represents a small portion of the overall Health segment's revenue, it is the wave of the future. As a result, the Health segment is now re-aligned in three divisions: Health Services, Pharmaceutical Solutions and Digital Health.



¹ Immigration and Citizenship Canada (IRCC)

² Software as a Service

³ Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.

Advanced Technologies Highlights

Provides comprehensive solutions across the space, defence and terrestrial sectors. Diverse capabilities encompassing software development, product design, custom manufacturing, full lifecycle support, project management, multi-disciplinary system solutions, satellite operations and hosting services.

2023 Results

\$178M

Revenue

34%

Gross margin

\$28M

Adj. EBITDA⁴

16%

Adj. EBITDA margin⁴

\$149M

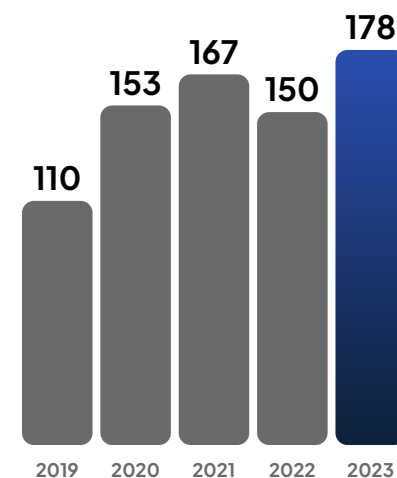
Backlog

\$192M

Gross New Contract Signings

5-Year Revenue

(in millions of \$)



Revenue in fiscal 2022 was impacted by the rolling off of the company's largest-ever ground system project.

Highlights

- Acquired Hawaii Pacific Teleport.
- Continued to sign new contracts in the Space business with its partnership with MDA on the Canadarm3 development and with CCMEO¹ for three high-performance antennas.
- Experienced significant growth in the Terrestrial business including over 20% growth in GNSS² antennas and signed record deals for ag tech³ and Decimator products.
- Signed multiple contracts supporting service programs for Canada and received multiple new orders supporting defence manufacturing projects, totaling approximately \$29 million in FY23.

Strong revenue growth due to product sales

Revenues increased 19% to \$178 million in FY23. Acquisitive growth was 3% and was generated by the acquisition of HPT in the fourth quarter. Organic growth was 16% and was driven by growing demand for products, including satcom, GNSS² antennas and ag tech³ as well as nuclear consulting services.

Higher-margin business

Gross margins and adjusted EBITDA⁴ margins were up significantly, driven by a favourable revenue mix skewed toward higher-margin products and software offerings as well as the higher-margin contribution from the HPT acquisition. It was partially offset by investments for the future.

In FY24 the Advanced Technologies segment is expecting to surpass the \$200 million revenue mark, driven by strong demand in product sales in terrestrial and defence as well as the full-year contribution from HPT.

“Calian is proud to play a vital role in the next international collaboration for lunar and deep space exploration through our partnership with MDA to support the development of Canadarm3.”

Patrick Thera, President
Advanced Technologies

Acquired Hawaii Pacific Teleport in the U.S.

On August 1, 2023, Calian acquired the assets of U.S.-based Hawaii Pacific Teleport (HPT), a satellite communications provider. Key highlights of the transaction:

- Price paid: up to C\$62 million, which includes C\$47 million upfront and earnouts of up to C\$15 million (multiple in line with historical average).
- Adds annual revenue of C\$18 million.
- Accretive on gross margin and EBITDA immediately (higher margins than Advanced Technologies and consolidated).
- Strong mix of recurring revenue streams from roster of international customers.
- Strategic geographic location of teleports supports the communications bridge between Asia and the Americas.
- Complements the segment's ground station as a service offering.



¹ Canada Centre for Mapping and Earth Observation

² Global Navigation Satellite System

³ Agriculture technology

⁴ Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.

Learning Highlights

Provides specialized training and immersive learning solutions to defence, commercial, and higher education clients domestically and in international markets. The segment continues to grow its footprint in Europe servicing NATO and NATO member countries with a variety of military training and simulation technologies and services. It also provides consulting services in emergency management to federal, provincial and municipal governments, indigenous communities, academia and the private sector.

2023 Results

\$106M

Revenue

25%

Gross margin

\$17M

Adj. EBITDA³

16%

Adj. EBITDA margin³

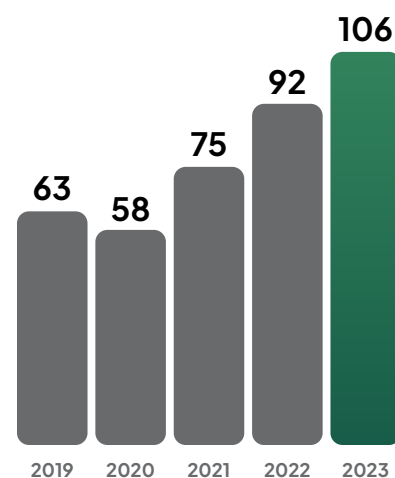
\$248M

Backlog

\$26M

Gross New Contract Signings

5-Year Revenue (in millions of \$)



Revenue growth over the last three years was driven by the acquisitions of CTS, Cadence and SimFront, as well as strong demand for military training.

Highlights

- Experienced strong demand in legacy contracts in Canada due to the geo-political environment and a renewed focus on readiness.
- Expanded the Company's global training footprint in NATO countries with projects in France, Turkey, Poland, Germany, the Netherlands, Australia, the Philippines, Jamaica, Indonesia, Jordan and Switzerland.
- Continued to innovate by bringing new ISTE¹ capabilities online, developing features for training software and embedding AI² in the Company's exercise design capabilities.
- Increased academic clients with the University of Guelph, Sault College, Conestoga College, Centennial College and McMaster University.

Strong demand for military training

Revenues increased 16% to \$106 million, surpassing the \$100-million mark for the first time. This growth was all organic and was primarily driven by strong demand from existing customers.

While demand remains strong in the military training market due to geo-political issues and renewed focus on readiness, the pace of procurement has not followed suit. As a result, the segment's legacy long-term contracts have allowed it to continue to grow revenues.

Ramped-up R&D investments for future growth

Adjusted EBITDA³ margins were significantly lower in FY23 as the Learning segment invested in business development and R&D to support its growth both domestically and in new countries in Europe. The segment will continue to invest in the global military market as it is a strong long-term growth opportunity.

In FY24 the Learning segment will focus on making tuck-in acquisitions to expand its service offering and continue to develop the European market.

"In FY23 we surpassed the \$100M revenue mark for the first time, forged new relationships and made technology investments which will accelerate our global growth."

Don Whitty, President Learning

Solidified European presence

Solidified its presence in Europe with major growth in the NATO 360 contract and engagement to help run the War Gaming cell at the NATO Joint Warfare Centre (JWC) in Stavanger. The contract is now running at more than twice its initial award value.

This expanded presence and exposure has anchored the Calian brand at the JWC and opened the door to a number of new opportunities for growth directly with individual NATO nations. The Learning segment delivered major exercises in France, Germany and the Netherlands and was awarded a two-year research contract with NATO to build an enhanced wargaming capability.

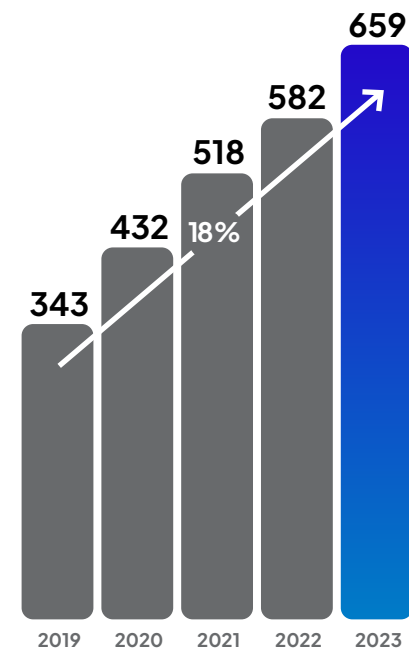
¹ Integrated Synthetic Training Environment

² Artificial Intelligence

³ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

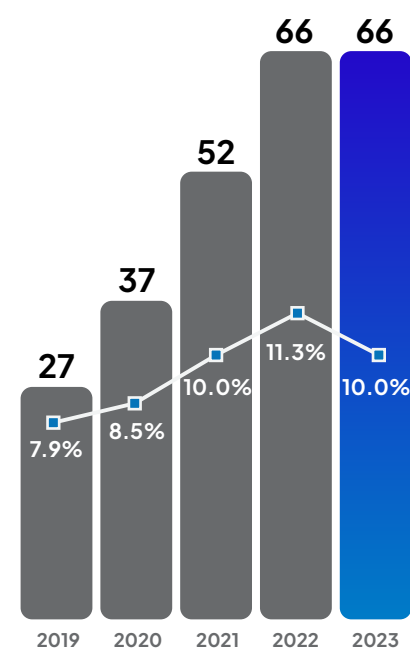
Key Performance Indicators

Revenue (in millions of \$)



Revenues increased 13% to \$659 million in fiscal 2023 when compared to fiscal 2022. Acquisitive growth was 7% and was generated from Computex in the first half of the year and HPT in the fourth quarter. Organic growth was 6% and was driven by double-digit growth in the Health, Learning and Advanced Technologies segments, partially offset by the ITCS segment.

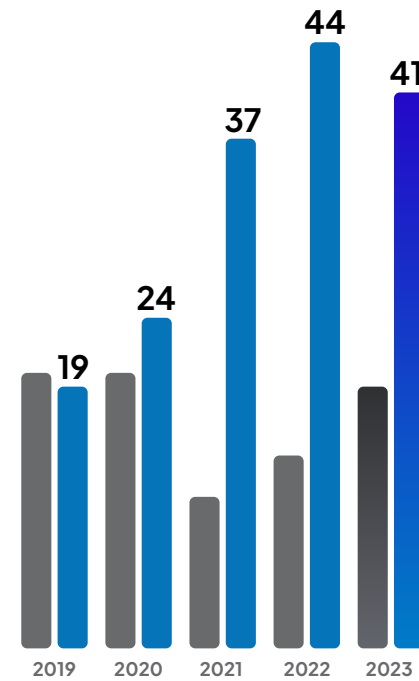
Adjusted EBITDA¹ & Adjusted EBITDA Margin¹ (in millions of \$, except margin)



- Adj. EBITDA¹
- Adj. EBITDA %¹

Adjusted EBITDA¹ was \$66 million in fiscal 2023, in line with fiscal 2022. The adjusted EBITDA was impacted by lower volume in its ITCS segment's value-added resale business in the U.S., as well as various growth investments the company made at the end of fiscal 2022, which increased operating expenses in the first nine months of the year. After the third quarter, the company underwent a complete review of its delivery capacity and overhead costs and initiated targeted cuts. This restructuring plan is expected to generate annual savings of approximately \$8 million. As a result, the adjusted EBITDA margin¹ decreased to 10.0% in fiscal 2023 from 11.3% in fiscal 2022.

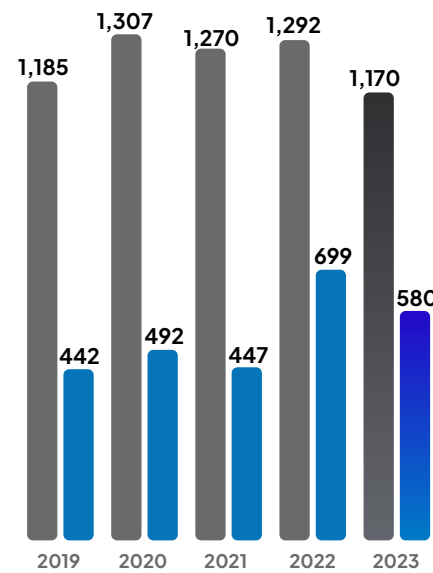
Net Profit & Adjusted Net Profit¹ (in millions of \$)



- Net Profit
- Adjusted Net Profit¹

Adjusted net profit¹ decreased 7% to \$41 million, or \$3.45 per diluted share, in fiscal 2023, from \$44 million, or \$3.87 per diluted share, in fiscal 2022.

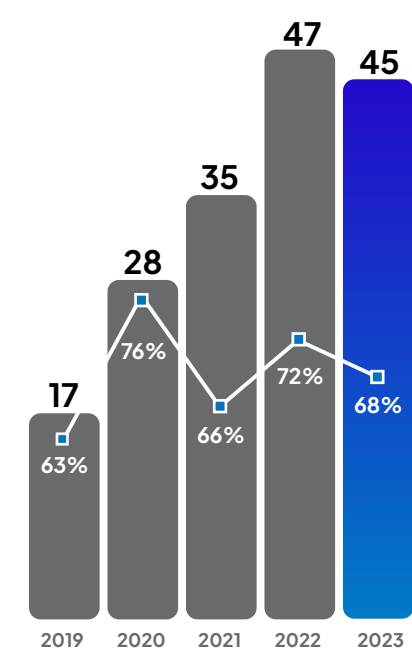
Backlog and Gross New Contract Signings (in millions of \$)



- Backlog
- Gross New Contract Signings

In fiscal 2023, Calian signed \$580 million in new contracts to increase realizable backlog to \$1.2 billion which spans over 10 years. Of this amount \$438 million is expected to be recognized in fiscal 2024, \$289 million in fiscal 2025 and the balance beyond fiscal 2025.

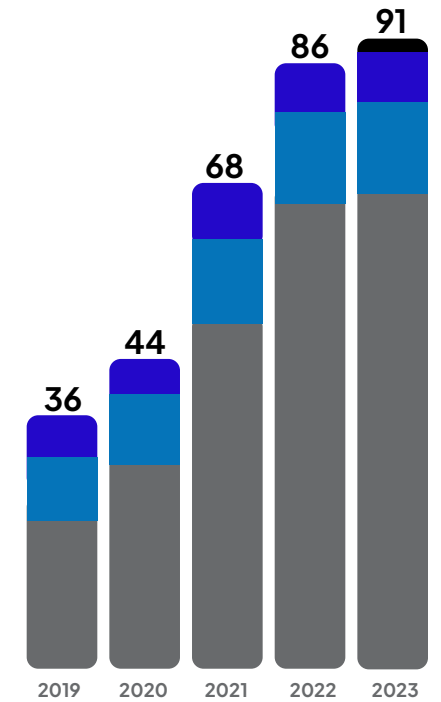
Operating Free Cash Flow¹ & Operating Free Cash Flow Conversion¹ (in millions of \$, except %)



- OFCF¹
- OFCF Conversion¹

We generated \$45 million of operating free cash flow¹ in fiscal 2023 compared to \$47 million last year. This represents an operating free cash flow conversion rate from adjusted EBITDA¹ of 68%.

Capital Allocation (in millions of \$)



- Acquisitions
- Dividends
- Capex
- Share Buyback

In fiscal 2023, Calian continued to have a disciplined approach to capital deployment, with a view of getting maximum return for the amounts invested. The company invested \$68 million in acquisitions and \$8 million in capital expenditures, as well as returned capital to shareholders by paying dividends of \$13 million and buying back shares for \$2 million.

¹ This is a non-GAAP measure mainly derived from the consolidated financial statements, but does not have a standardized meaning prescribed by IFRS. Please refer to the Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures section of the Management's Discussion and Analysis.

Looking Forward

We are proud that Calian is making a tangible difference in the world every day. Our mission to help the world communicate, innovate, learn and lead safe and healthy lives is the core of what we do. Customers trust us when they can't fail.

Before looking forward to where we are going, it is important to recognize how far we have come.

Completed the Imagine 2023 Strategic Plan

In FY23 we completed our Imagine 2023 strategic plan and successfully executed on all our key metrics: we grew revenues by a CAGR¹ of 15%, expanded our gross margins from 20.6% to 31.0% and increased the pace of M&A by completing six transactions for a total value of more than \$200 million. In addition, we continued to diversify our revenue streams by generating more revenues globally and with commercial customers as well

as grew adjusted EBITDA² by a CAGR¹ of 21%, surpassing top-line growth. FY23 represents the 22nd consistent year of profitable growth and it doesn't stop here. We are just getting started.

Tailwinds From Market Trends

The world is facing increasing challenges that create trends in the marketplace. Many of these resulting market conditions—including climate change, health care capacity challenges, global conflicts, increasing cyber activity, demand for bandwidth and the reinvigoration of the space industry—align to the

company's capabilities. Calian is well positioned to respond and support stakeholders in this ever-changing environment.

Launched New Three-Year Strategic Plan

On October 1, 2023, we launched our new three-year strategic plan called *One Vision, One Purpose, One Calian 2026*, which builds on *Imagine 2023*. Guided by our mission and values, the objective of this new plan is to continue to build a purpose-driven organization that can achieve one billion dollars in revenues with the four segments working together as one toward profitable growth. The focus will be on continuing to diversify the company by geography, customer and offering, while improving operational efficiencies, retaining existing customers and building an effective sales culture. We are confident we can achieve this target given our strong

team, pristine balance sheet, growth momentum, solid backlog and robust pipeline of acquisitions.

Forecast Another Record Year for FY24

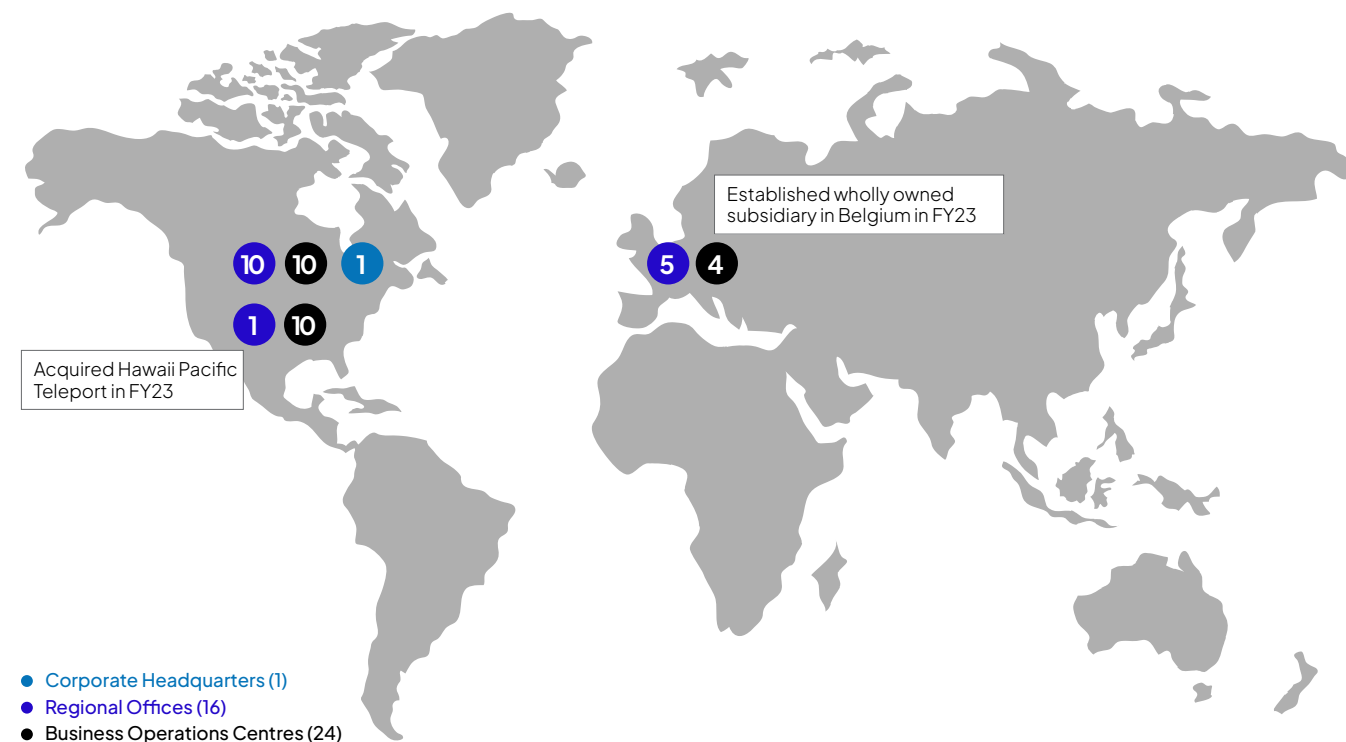
For FY24, the first year of this ambitious plan, we expect to generate revenues and adjusted EBITDA² in the range of \$730 million to \$790 million and \$83 million to \$89 million, respectively. At the mid-point of the range, it reflects growth rates of 15% and 30% over last year. Achieving these results would represent our seventh consecutive year of double-digit revenue growth and record adjusted EBITDA².



Kevin Ford
CEO

Global Footprint Expansion

Calian operates across 7 continents and in 44 countries



One Team Working Together

Senior Leadership Team



Kevin Ford
CEO



Patrick Houston
CFO and Corporate Secretary



Sue Ivay
CHRO



Michael Muldner
CITO



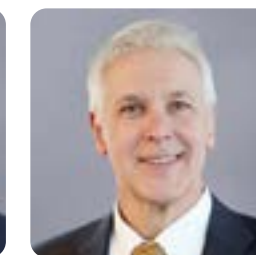
Robin Richardson
Senior VP, Marketing and Communications



Derek Clark
President, Health



Patrick Thera
President, Advanced Technologies



Michael Tremblay³
President, IT and Cyber Solutions



Don Whitty
President, Learning



Carisa Gordon
Senior VP, General Counsel and Privacy Officer

¹ Compound annual growth rate (CAGR)

² This is a non-GAAP measure mainly derived from the consolidated financial statements, but does not have a standardized meaning prescribed by IFRS. Please refer to the Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures section of the Management's Discussion and Analysis.

³ Effective December 1, 2023

Share Information

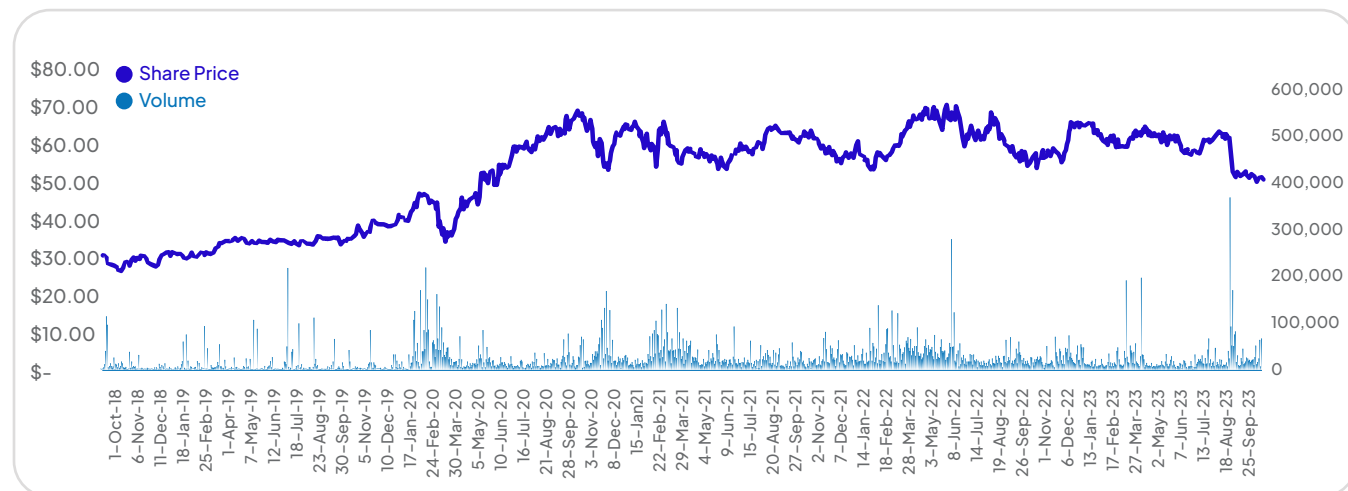
For the years ended September 30

	2019	2020	2021	2022	2023
TRADING DATA ON COMMON SHARES					
52-week high (\$) ¹	35.75	68.50	69.95	71.58	67.00
52-week low (\$) ¹	25.76	33.02	53.73	53.42	50.43
Closing (\$)	35.12	67.25	61.00	55.93	51.03
Total volume ²	2,778,466	5,371,043	7,657,214	8,221,755	6,199,535
Average daily volume ²	24,050	21,314	30,507	32,756	24,798
OTHER STATISTICS					
Dividends on common shares (in millions \$)	8.8	9.9	11.8	12.8	13.2
Dividends per share (\$)	1.12	1.12	1.12	1.12	1.12
Dividend yield (%)	3.2%	1.7%	1.8%	2.0%	2.2%
Shares outstanding (000's)	7,929	9,760	11,286	11,607	11,813
Weighted average shares outstanding – basic (000's)	7,843	9,045	10,600	11,344	11,715
Weighted average shares outstanding – diluted (000's)	7,863	9,104	10,640	11,383	11,748
Market capitalization (in millions \$)	278	656	688	649	603

¹ Based on closing price

² Includes both TSX and ATS volume

Closing Share Price Volume



Management's Discussion and Analysis

For the three and twelve months ended September 30, 2023



Basis of Presentation

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations of Calian Group ("Calian" or the "Company") is dated December 1, 2023 and should be read in conjunction with the audited annual consolidated financial statements and related notes of the Company for the twelve month period ended September 30, 2023.

The Company's audited consolidated financial statements are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and Chartered Professional Accountants ("CPA Canada") Handbook Accounting - Part I. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

This MD&A also contains non-GAAP and other financial measures which are not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors ("the Board") of the Company. The Board 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 carries out this responsibility principally through its Audit Committee.

Additional information, including the Company's Annual Information Form, quarterly and annual reports, and supplementary information is available on the SEDAR web site at www.sedarplus.ca. Press releases and other information are also available in the Investor Relations section of the Company's website at www.calian.com.

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 include 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 products and 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.
- The Company's ability to execute on its acquisition program including successful integration of previously acquired businesses.
- The Company's ability to deliver to customers throughout any worldwide conflict zones, and any government regulations limiting business activities within such areas.
- The Company's ability to successfully and efficiently manage through supply chain challenges, in sourcing and procuring goods used in production or for delivery to end customers.

The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at December 1, 2023, 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.

Calian Profile

Calian is a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity and technology solutions. The Company is headquartered in Ottawa, Ontario with locations across Canada and in the U.S., the U.K. and Europe. The Company is uniquely positioned to solve the significant and complex problems its customers face so that these companies are better able to succeed and deliver on their objectives. The Company's common shares are listed on the Toronto Stock Exchange under the symbol CGY.

The Company is organized in four operating segments: Advanced Technologies, Health, IT and Cyber Solutions and Learning. This business model provides both diversity and stability. It enables Calian to capitalize on unique opportunities during upturns in some markets while weathering downturns in others.

MISSION

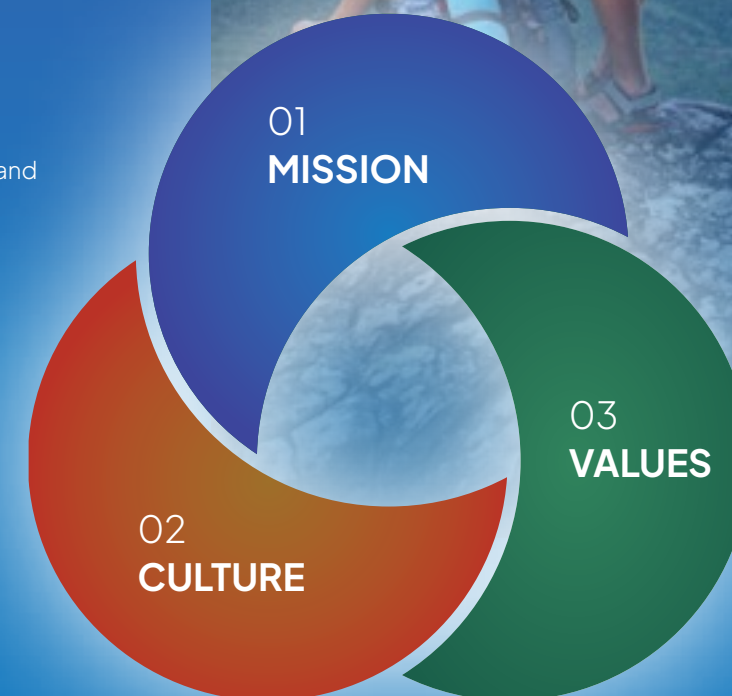
Help the world communicate, innovate, learn, and lead safe and healthy lives with confidence.

CULTURE

Every Calian employee brings their "A" game for every client, works hard and works together using collaboration to powerful advantage. Calian attracts and challenges great people and great partners.

VALUES

- Customer-first Commitment
- Teamwork
- Integrity
- Innovation
- Respect



Strategy

Growth Fundamentals and Track Record

Four Pillars of Growth



Customer Retention

Through continued delivery excellence, each segment maintains relationships with their valued customer bases, thus earning more revenue through expanded scopes of existing contracts.



Customer Diversification

Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.



Innovation

Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins.



Continuous Improvement

Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

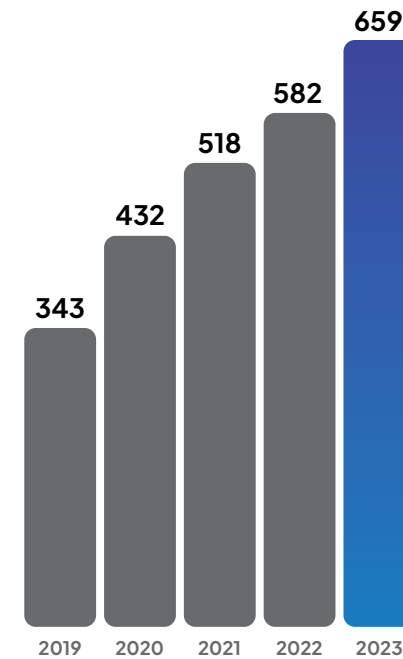
While the four operating segments are diverse, each is anchored by the Company's common four-pillar framework for growth.

5-Year Track Record of Execution

Over the past five years, Calian generated a revenue compound annual growth rate (CAGR) of 18% through organic growth and acquisitions, surpassing its 10% annual growth objective. The Company also increased its gross profit and adjusted EBITDA¹, which grew at a CAGR of 28% and 25%, respectively, significantly outpacing top line growth. Furthermore, its gross margin expanded from 21.8% in FY19 to 31.0% in FY23 and its adjusted EBITDA¹ margins expanded

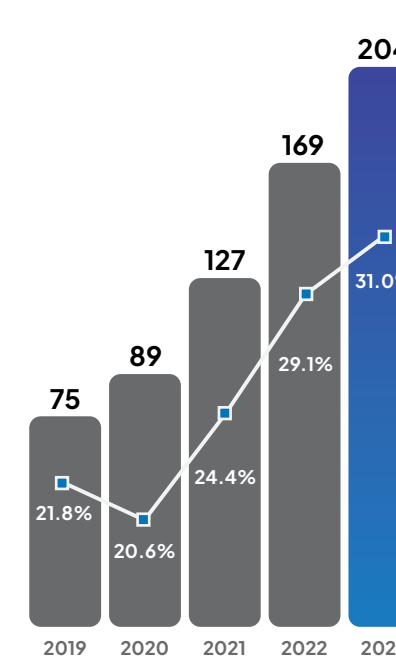
Revenues

(in millions of \$)



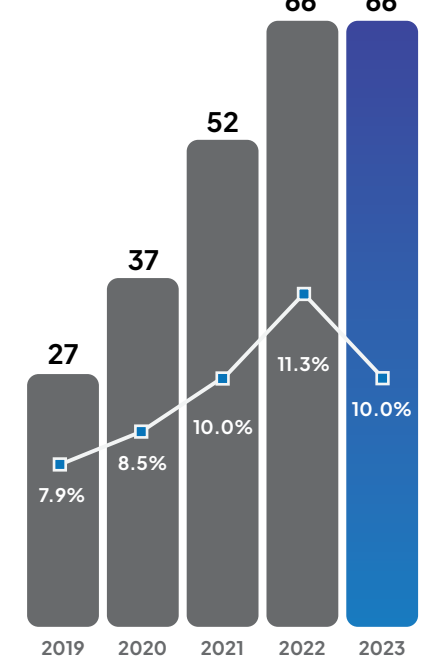
Gross Profit & Margin

(in millions of \$, except margin)



Adj. EBITDA¹ & Margin¹

(in millions of \$, except margin)



● Gross Profit
● Gross Margin

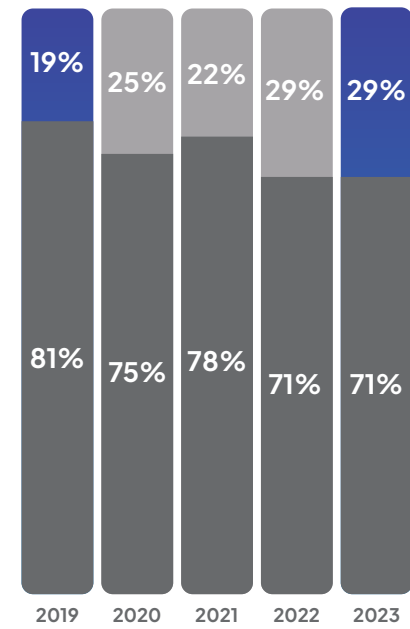
● Adj. EBITDA¹
● Adj. EBITDA¹ Margin

from 7.9% to double digits over the same period. This significant profitability growth and margin expansion was driven by the Company's revenue diversification by geography, customer and offering.

Over the past five years, Calian successfully diversified its revenue streams by geography, customer and offering. Revenues generated outside Canada reached 29% of total revenues, up from 19% in FY19. Over this same period, revenues from commercial customers, typically at higher margins, grew from 31% to 52%. The Company was able to accomplish this while continuing to grow its legacy Canadian government business characterized by long-term contracts. A continued balance of both government and commercial customers will provide a balance of longer-term visibility and stability, with shorter term growth and margins.

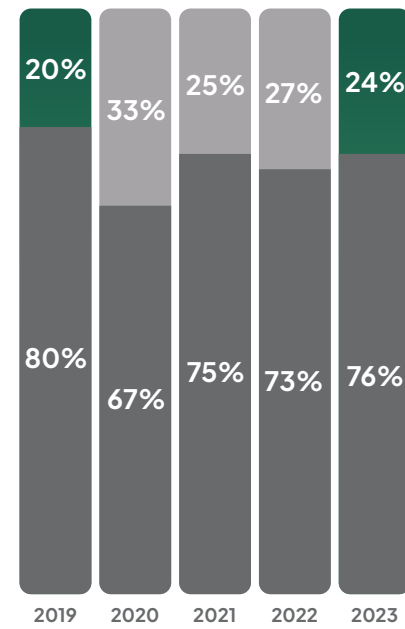
¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Geography



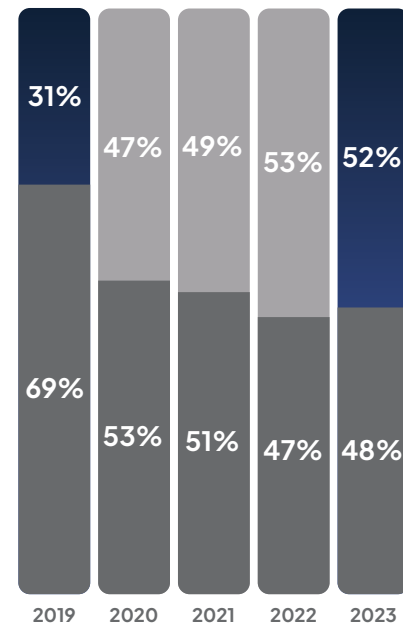
- Canada
- International

Offering



- Service
- Product

Customer



- Government
- Commercial

Finally, in FY23, product revenues totaled \$157 million, up 124% from \$70 million in FY19, demonstrating the Company's progressive pivot to a technology company.

New 3-Year Strategic Plan

On October 1, 2023, Calian launched its new three-year strategic plan called One Vision, One Purpose, One Calian 2026. The objective of the plan is to build a purpose-driven organization that has a strong values foundation and is growing profitably by geography, customer and offering, while improving operational efficiencies, retaining existing customers and building an effective sales culture.

More specifically, the financial objective of this strategic plan is to reach one billion dollars in revenues by the end of FY26 through both organic growth and acquisitions. The playbook is to convert a high-level of profitable growth into strong operating free cash flow¹ where the capital generated can then be deployed to maximum shareholder value. All this while maintaining a healthy balance sheet.



Revenue Growth

Revenue is an important measure because \$1 billion is the key target the Company aspires to reach at the end of FY26. It is also the starting point to generate profitability and cash flow. Calian must generate on average 15% revenue growth per year, with a combination of organic and acquisitions, to reach its target of \$1 billion at the end of FY26.



Strong Cash Flow

Operating free cash flow¹ generation is important because it determines how much capital Calian will be able to re-invest into growth opportunities such as acquisitions, which represents a significant portion of the 15% revenue growth target.

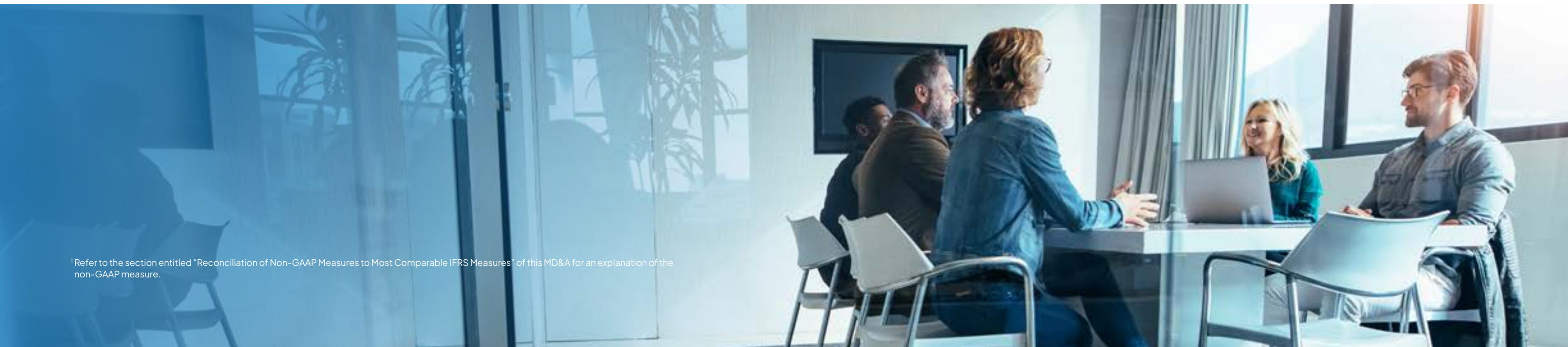


Deployment of Capital

Capital deployment is important because it is the foundation of shareholder value creation.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

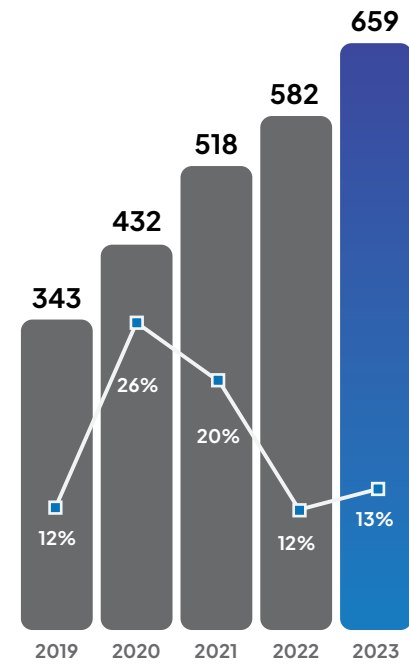
¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.



Key Performance Indicators

Revenue & Revenue Growth

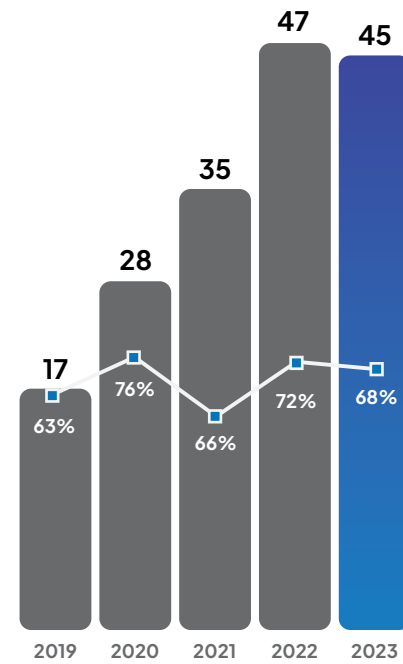
(in millions of \$, except %)



● Revenue
● Growth

Operating Free Cash Flow (OFCF¹) & OFCF¹ Conversion

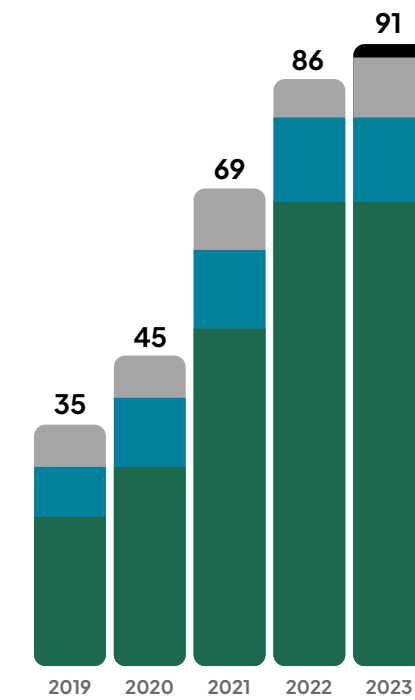
(in millions of \$, except ratio)



● OFCF¹
● OFCF/EBITDA

Capital Deployed

(in millions of \$)



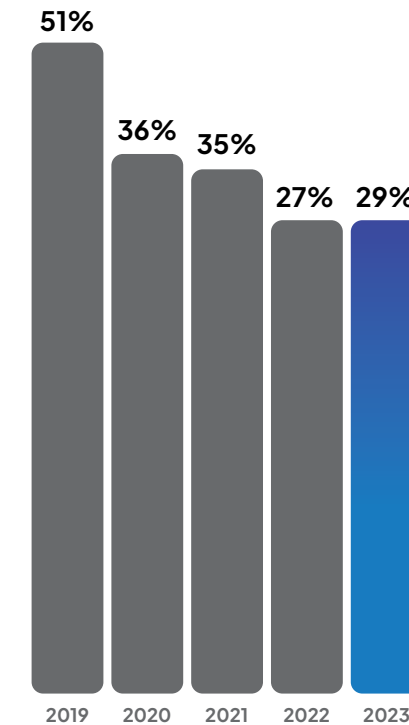
● Acquisitions
● Dividends
● Capex
● Share buyback

Key Performance Indicators

Calian will measure the success of the execution of its strategic plan by monitoring three key performance indicators (KPI) on an annual basis: revenue, operating free cash flow¹ and capital deployment.

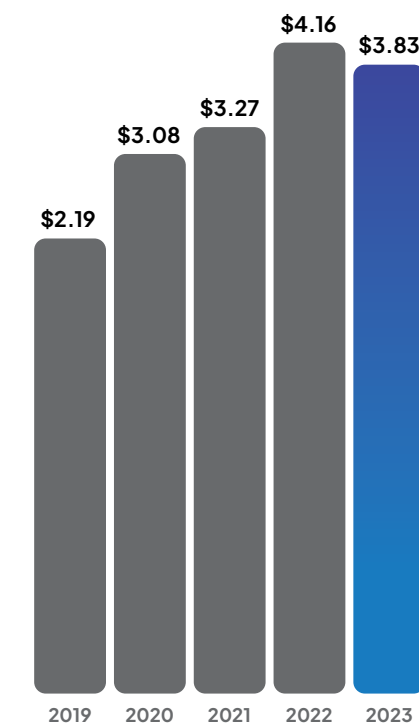
Dividend/OFCF¹

(in %)



OFCF¹/Share

(in \$)



¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.



The graphs above illustrate the five-year trends of these key performance indicators.

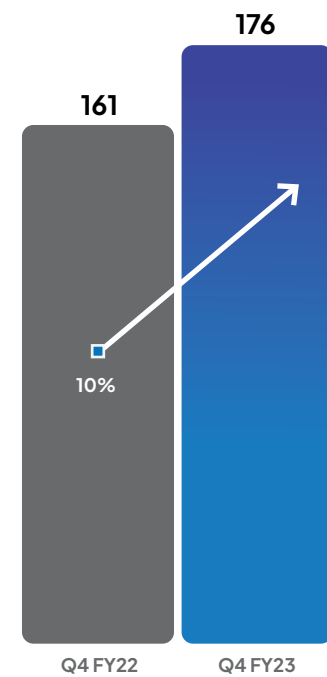
The Company also wants to ensure that it analyzes the success of its execution through shareholder lens. As such, it will measure return to shareholders with the KPIs outlined below.

Overview – Fourth Quarter of FY23

Revenues increased 10% to \$176.0 million, as compared to \$160.5 million for the same period last year. This represents

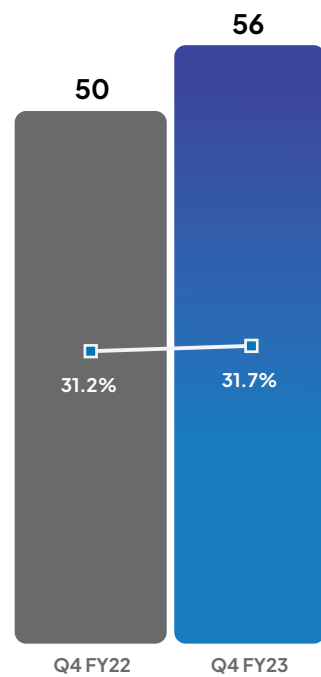
Revenues

(in millions of \$)



Gross profit & Gross margin %

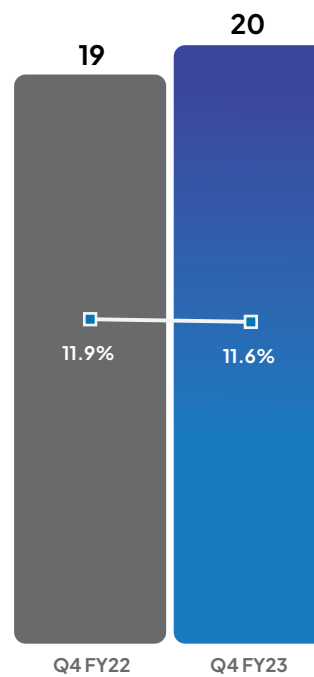
(in millions of \$, except margin)



● Gross profit
● Gross margin

Adj. EBITDA¹ & Adj. EBITDA¹%

(in millions of \$, except margin)



● adj. EBITDA
● adj. EBITDA %

the highest revenue quarter in the Company's history. Acquisitive growth was 3% and was generated by the acquisition of Hawaii Pacific Teleport (HPT) which closed on August 1, 2023. Organic growth was 7% and was driven by double-digit growth in the Health, Learning and Advanced Technologies segments. As expected, the ITCS segment posted a reduction in revenues versus last year, where a disproportionate amount of products were shipped in the fourth quarter of fiscal 2022 due to the easing of supply chain issues.

Gross profit increased 11% to \$55.8 million and gross margin reached 31.7%, representing the sixth consecutive quarter above the 30% mark. Similarly, adjusted EBITDA¹ increased by 7% to \$20.3 million driven by strong growth in revenue and gross margin, coupled with the start of benefits from the restructuring plan implemented midway through the quarter. Gross profit, gross margin and adjusted EBITDA¹ all represented new quarterly highs for Calian. While adjusted EBITDA¹ margin returned to double-digits from Q3, it decreased slightly to 11.6%, compared to the same period last year, due to the reduction in ITCS volume and the realization of only a portion of the benefits from the restructuring plan.

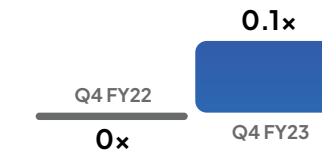
¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

OFCF¹

(in millions of \$)

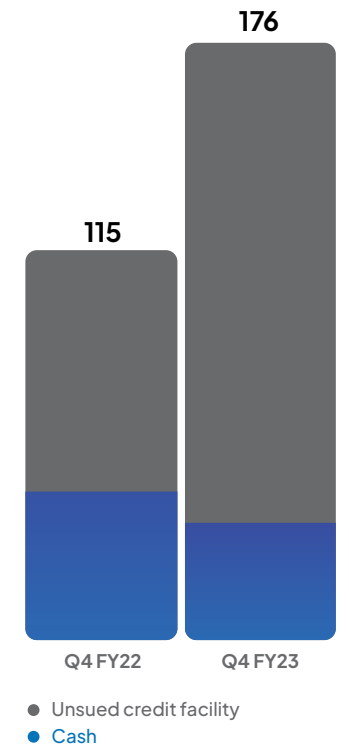


Net Debt/ Adj. EBITDA¹ Ratio



Net Liquidity

(in millions of \$)



Calian generated \$10.7 million of operating free cash flow¹. The Company used its cash and drew on its credit line to primarily invest in its business with the acquisition of HPT, the payment of earnouts and capital expenditures. It also provided a return to shareholders in the form of dividends and share buybacks in accordance with its recently announced normal course issuer bid (NCIB). The Company ended the quarter with net debt of \$4.0 million, representing a net debt to adjusted EBITDA¹ ratio of 0.1x. With cash on hand of \$33.7 million, combined with the unused portion of its credit facility, Calian ended the quarter with net liquidity of \$176.0 million.

Calian signed gross new contracts of \$176 million and ended the quarter with a backlog of \$1.2 billion, of which \$438 million is earmarked for FY24, \$289 million for FY25 and \$443 million beyond FY25.

Subsequent to quarter end, on November 6, Calian appointed Michael Tremblay to the position of President, ITCS effective December 1, 2023. In addition, on November 9, Calian entered into a definitive purchase agreement to acquire Decisive Group. This transaction was completed on December 1, 2023.

FY24 Financial Guidance

The following table presents the Company's financial guidance for FY24.

	Guidance	
	Low	High
	\$	\$
Revenue	730,000	790,000
Adjusted EBITDA ¹	83,000	89,000

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

This guidance includes the full-year contribution from the Hawaii Pacific Teleport acquisition and assumes the closing of the Decisive Group acquisition by the end of calendar 2023. It also includes the benefits from the restructuring plan. It does not include any other acquisitions that may close within the fiscal year.



At the midpoint of the range, this guidance reflects revenue and adjusted EBITDA¹ growth of 15% and 30%, respectively, and an adjusted EBITDA¹ margin of 11.3%. It would represent the 7th consecutive year of double-digit growth and record levels.

When taking into account our backlog for FY24 of \$438 million, combined with our recurring revenue streams of about \$40 million and deferred revenues of \$32 million, 67% of our FY24 revenue guidance (at the midpoint) is covered right out the gate.

The reader should be advised that revenues and profitability realized are ultimately dependent on the extent and timing of future contract awards, customer realization of existing contract vehicles and potential recessionary pressures. Please refer to the forward-looking statement at the beginning of this MD&A.

Backlog

The Company's estimated realizable backlog at September 30, 2023 was \$1,170 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, 2023 the following contracts and product signings 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.

- \$46M of cyber security product and services
- \$24M in cyber security design services with a new contract win
- \$15M new contract for traditional IT consulting services
- \$8M new contract win for Crisis call diversion services in our Health segment
- \$8M signing for software defined solutions to a long standing customer in our Advanced Technologies segment
- GNSS product sales book to bill ratio continuing over 1 times

There were no material contracts that 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 2024, fiscal year 2025 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 \$211 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.

Contract Backlog as of September 30, 2023

	\$
Contracted backlog	727,484
Option renewals	653,776
	1,381,260
Management estimate of unrealizable portion	(211,223)
Estimated Realizable Backlog	1,170,037

Estimated Recognition of Estimated Realizable Backlog

	October 1, 2023 to September 30, 2024	October 1, 2024 to September 30, 2025	Beyond September 30, 2025	Total
	\$	\$	\$	\$
Advanced Technologies	104,568	29,178	15,059	148,805
Health	173,824	167,250	291,758	632,832
Learning	84,528	64,877	98,307	247,712
ITCS	75,153	27,945	37,590	140,688
Total	438,073	289,250	442,714	1,170,037

Consolidated Results

Selected Consolidated Financial Highlights – Three and Twelve Months of FY23

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Revenues	175,948	160,550	658,583	582,172
Gross profit	55,796	50,150	204,212	169,226
Gross profit margin (%)	32%	31%	31%	29%
Profit before under noted items (adjusted EBITDA)¹	20,381	19,067	65,987	65,932
Adjusted EBITDA ¹ margin %	12%	12%	10%	11%
Depreciation of equipment, application software and capitalized research and development	2,133	2,308	9,043	6,974
Depreciation of right of use assets	1,352	950	4,501	3,629
Amortization of acquired intangible assets	4,460	3,484	14,874	20,555
Restructuring expense	2,618	-	2,618	-
Other changes in fair value	(314)	-	(314)	-
Deemed compensation	403	3,314	550	4,314
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Profit before interest income and income tax expense	9,313	6,722	30,857	24,905
Lease obligations interest expense	159	143	531	451
Interest expense (income)	634	7	365	295
Profit before income tax expense	8,520	6,572	29,961	24,159
Total income tax expense	3,401	5,377	11,076	10,555
NET PROFIT	5,119	1,195	18,885	13,604
EPS - Basic	0.43	0.10	1.61	1.19
EPS - Diluted	0.43	0.10	1.61	1.19
Adjusted net profit¹	12,702	10,282	41,471	44,028
Adjusted EPS ¹ - Basic	1.08	0.90	3.45	3.88
Adjusted EPS ¹ - Diluted	1.07	0.90	3.45	3.87

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Analysis of Consolidated Results – Three and Twelve Months of FY23

Revenue

For the three-month period ended September 30, 2023, revenues increased 10% to \$175,948 compared to \$160,550 for the same period last year. This represents the highest revenue quarter in the Company's history. Acquisitive growth was 3% and was generated by the acquisition of Hawaii Pacific Teleport (HPT) closed on August 1, 2023. Organic growth was 7% and was driven by double-digit growth in the Health, Learning and Advanced Technologies segments. As expected, the ITCS segment posted a reduction in revenues versus last year where a disproportionate amount of products were shipped due to the easing of supply chain issues.

For the year ended September 30, 2023, revenues increased 13% to \$658,583 compared to \$582,172 for the same period last year. This represents the sixth consecutive year of record revenues for Calian. Acquisitive growth was 7% and was generated by the contribution from Computex in the first half of the year and HPT in the fourth quarter. Organic growth was 6% and was driven by double-digit growth in the Health, Learning and Advanced Technologies segments. The ITCS segment posted negative organic growth primarily due to the easing of the supply chain in the prior year which allowed for significant deliveries of our value-added resale (VAR) business in the U.S. at the time.

Note that Calian measures growth through acquisition on a trailing twelve-month basis. Once the acquisition has been included in results for twelve months, its contribution is included in the organic growth metric.

Gross Profit

For the three-month period ended September 30, 2023, gross profit increased 11% to \$55,796 compared to \$50,150 for the same period last year. This growth was driven by an increase in volume and a favorable revenue mix. Gross margin stood at 31.7%, slightly up from 31.4% for the same period last year, and represented the sixth consecutive quarter above the 30% mark. Both gross profit and gross margin represented new quarterly highs for Calian.

For the year ended September 30, 2023, gross profit increased 21% to \$204,212 compared to \$169,226 for the same period last year and gross margin reached 31.0%, versus 29.1% in the prior year. This growth was driven by the same factors mentioned above. Both gross profit and gross margin represented new annual highs for Calian. It is also the first time in the Company's history that gross profit surpasses the \$200,000 mark.

Adjusted EBITDA¹

For the three-month period ended September 30, 2023, adjusted EBITDA¹ increased 6.9% to \$20,381 compared to \$19,067 for the same period last year. This growth was driven by strong growth in revenue and gross margin, coupled with the start of benefits from the restructuring plan implemented midway through the quarter. Adjusted EBITDA¹ represented a new quarterly high for Calian. Adjusted EBITDA¹ margin decreased slightly to 11.6% compared to 11.9% for the same period last year due to the reduction in ITCS volume and the realization of only a portion of the benefits from the restructuring plan.

For the year ended September 30, 2023, adjusted EBITDA¹ and related margin stood at \$65,987 and 10.0% respectively, versus \$65,932 and 11.3%, respectively, for the same period last year. The adjusted EBITDA¹ and related margin were impacted by various growth investments the Company made at the end of FY22 which increased operating expenses in the first nine months of the year. After the third quarter, Calian underwent a complete review of its delivery capacity and overhead costs and initiated targeted cuts. This restructuring plan is expected to generate annual savings of approximately \$8 million.

Depreciation and Amortization

For the three-month period ended September 30, 2023, depreciation of equipment, application software and research and development stood at \$2,133, in line with the same period last year. For the year ended September 30, 2023, depreciation of equipment, application software and research and development increased \$2,069, compared to the same period last year, due to higher assets resulting from IT investments and recent acquisitions.

For the three-month period and year ended September 30, 2023, depreciation of right of use assets increased \$402 and \$872 respectively, compared to the same period last year, as a result of new leases signed in the last twelve months coupled with leases brought on from recent acquisitions.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

For the three-month period ended September 30, 2023, amortization of acquired intangible assets increased \$976, compared to the same period last year, due to intangible amortization beginning on an asset that was previously indefinite life coupled with the acquired intangible assets from the HPT amortizing since the acquisition date. For the year ended September 30, 2023, amortization of acquired intangible assets decreased by \$5,681, compared to the same period last year, due to intangibles acquired from multiple years prior being fully amortized in the prior year along with amortization incurred from intangibles acquired through Intertronic which would not have current year amortization as they were written off in the prior year.

Please see note 13 to the financial statements for more information.

Restructuring Expense

For the three-month period and year ended September 30, 2023, the Company recorded a one-time restructuring charge of \$2,618 in line with its restructuring plan announced in the third quarter of FY23. There were no restructuring charges recorded in the three-month period and year ended September 30, 2022.

Deemed Compensation and Changes in Fair Value Related to Contingent Earn Out

For the three-month period and year ended September 30, 2023, deemed compensation decreased by \$2,911 and \$3,764 respectively, compared to the same periods last year. This decrease is due to bonus amounts related to acquisition earn-out payments being earned and achieved in the prior year that did not exist in the current year.

For the three-month and year ended September 30, 2023, changes in fair value related to contingent earn-out decreased by \$1,873 and \$1,697, respectively, compared to the same periods of the previous year.

Interest expense (income)

For the three-month period ended September 30, 2023, interest expense increased to \$634, compared to \$7 in the same period last year, as the Company drew on its credit facility to fund the acquisition of HPT.

Income Tax Expense

For the three-month period ended September 30, 2023, the provision for income taxes was \$3,401, down from \$5,377 for the same period last year. This is primarily due to lower tax expense in the current year from tax assets acquired through acquisitions.

For the year ended September 30, 2023, the provision for income taxes was \$11,076 which is in line with the prior year.

The effective tax rate of the company is 26.5% for the annual period. The difference in effective tax rate to actual tax rate 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 earn out 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.

Net Profit and Adjusted Net Profit¹

For the three-month period ended September 30, 2023, net profit was \$5,119 or \$0.43 per diluted share, versus \$1,195, or \$0.10 per diluted share, for the same period last year. This growth was driven by higher adjusted EBITDA¹ and lower expenses related to acquisitions, partially offset by a one-time restructuring charge and higher interest expenses. Adjusted net profit¹ was \$12,702, or \$1.07 per diluted share, versus \$10,282, or \$0.90 per diluted share, in the same period last year.

For the year ended September 30, 2023, adjusted net profit¹ was \$41,471, or \$3.45 per diluted share, versus \$44,028, or \$3.87 per diluted share, for the same period last year. This decrease was primarily driven by higher depreciation of property assets in the current year.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Segment Results

Advanced Technologies (AT)

Provides comprehensive solutions across the space, defence and terrestrial sectors. Diverse capabilities encompassing software development, product design, custom manufacturing, full lifecycle support, project management, multi-disciplinary system solutions, satellite operations and hosting services.



27%
of total Revenues

\$178M
FY23 Revenues

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Product	32,367	16,021	106,298	93,038
Service	20,154	14,496	72,065	57,360
Revenues	52,521	30,517	178,363	150,398
Gross profit	18,676	10,176	59,887	43,335
Gross profit %	36%	33%	34%	29%
Adjusted EBITDA ¹	11,087	4,516	28,276	20,657
Adjusted EBITDA ¹ Margin%	21%	15%	16%	14%
Organic/ Acquisitive Revenue Growth	58% / 14%	-29% / Nil	16% / 3%	-10% / Nil
New contract signings (gross)	52,000	60,000	192,000	185,000
Backlog	148,805	159,726	148,805	159,726

Three-months ended September 30, 2023

For the three-month period ended September 30, 2023, revenues increased 72% to \$52,521, compared to the same period last year and represented record quarterly revenues for the segment. Acquisitive growth was 14% and was generated by the acquisition of Hawaii Pacific Teleport (HPT) which closed on August 1, 2023. Organic growth was 58% and was driven by strong product sales across all divisions, including GNSS antennas, telecom products and software

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

services. It was also the result of the successful unwinding of backlog due to ongoing easing of supply chains we are seeing in this segment.

Note that Calian measures growth through acquisition on a trailing twelve-month basis. Once the acquisition has been included in results for twelve months, its contribution is included in the organic growth metric.

For the three-month period ended September 30, 2023, adjusted EBITDA¹ more than doubled to \$11,087, compared to the same period last year. This significant growth was driven by higher gross margins due to a favorable revenue mix skewed toward higher margin products and software offerings as well as the higher margin contribution from the HPT acquisition. This growth was partially offset by higher operating expenses related to various initiatives within ground systems product development and other product improvements for manufactured products. Adjusted EBITDA¹ margin increased to 21%, from 15% for the same period last year.

In the quarter, Advanced Technologies signed new contracts valued at \$52 million.

Twelve-months ended September 30, 2023

For the year ended September 30, 2023, revenues increased 19% to \$178,363, compared to the same period last year. Acquisitive growth was 3% and was generated by the acquisition of HPT in the fourth quarter. Organic growth was 16% and was driven by growing demand for products including telecom, GNSS antennas and Ag tech as well as consulting services in nuclear.

For the year ended September 30, 2023, adjusted EBITDA¹ increased 37% to \$28,275, compared to the same period last year and adjusted EBITDA¹ margin increased to 16% versus 14% last year. This growth was driven by the same factors mentioned above.

Selected highlights for the year:

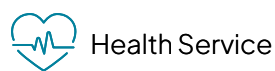
- Signed new contracts including with Canada for Mapping and Earth Observation (CCMEO) and MDA
- Acquired Hawaii Pacific Teleport
- Launched Illuminator software to monitor multiple Decimator spectrum analyzers at remote sites
- Appointed Darrell Wellington to Tallysman leadership team
- Received funding from the Canadian Space Agency (CSA) to further develop RF over IP technology
- Received a patent for Bin-Sense agricultural technology

For the year, Advanced Technologies signed new contracts valued at \$192 million and ended the year with a solid realizable backlog of \$149 million.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Health

Combines deep domain expertise in healthcare services, pharma solutions and digital technologies to enable better access to care. With a vast network of over 2,800 healthcare professionals spanning 85 specialties, Calian's Health segment improves access to care by connecting patients and providers with service delivery, clinical knowledge and digital technology.



Health Service



Pharma Solution



Digital Health

28%
of total Revenues

\$185M
FY23 Revenues

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Product	1	5	1	5
Service	51,567	39,465	184,855	167,136
Revenues	51,568	39,470	184,856	167,141
Gross profit	15,179	10,030	48,684	41,551
Gross profit %	29%	25%	26%	25%
Adjusted EBITDA ¹	10,722	6,357	33,383	28,334
Adjusted EBITDA ¹ Margin%	21%	16%	18%	17%
Organic/ Acquisitive Revenue Growth	31% / Nil	-11% / Nil	11% / Nil	-14% / Nil
New contract signings (gross)	29,000	35,000	115,000	154,000
Backlog	632,832	707,084	632,832	707,084

Three-months ended September 30, 2023

For the three-month period ended September 30, 2023, revenues increased 31% to \$51,568, compared to the same period last year and represented its highest quarterly revenue for the segment since the peak demands during the pandemic. This growth is all organic and was driven by significantly increased demand with our long-standing customers as well as short-term health response demand.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

For the three-month period ended September 30, 2023, adjusted EBITDA¹ increased 69% to a record quarterly high of \$10,722, compared to the same period last year. This significant growth was driven by increased revenue and short-term health response demand, which boasts higher margins due to the nature of the services provided. Adjusted EBITDA¹ margin increased to 21%, from 16% for the same period last year.

In the quarter, Health signed new contracts valued at \$29 million.

Twelve-months ended September 30, 2023

For the year ended September 30, 2023, revenues increased 11% to \$184,856, compared to the same period last year. This growth was all organic and was driven by higher customer demand on long term contracts, new business wins from clinician services and a solid performance from Contract Research Organization (CRO) services.

For the year ended September 30, 2023, adjusted EBITDA¹ increased 18% to \$33,383, compared to the same period last year and adjusted EBITDA¹ margin increased to a record annual high of 18%, versus 17% for the prior year year. This growth was driven by increased revenues and higher margin business. It was partially offset by increased operating expenses.

Selected highlights for the year:

- Appointed Derek Clark to President, Health
- Signed new contracts including Immigration, Refugees and Citizenship Canada (IRCC), Indigenous Services Canada and Syantra
- Signed two Software as a Service customers for Nexi
- Launched Digital Health portfolio of products
- Improved its bench strength with the appointment of a new VP Sales, VP Strategy & Growth and Chief Psychologist

For the year, Health signed new contracts valued at \$115 million and ended the year with a solid realizable backlog of \$633 million.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Learning

Provides specialized training and immersive learning solutions to defence, commercial, and higher education clients domestically and in international markets. The segment continues to grow its footprint in Europe servicing NATO and NATO member countries with a variety of military training and simulation technologies and services. It also provides consulting services in emergency management to federal, provincial and municipal governments, indigenous communities, academia, and the private sector.



Learning Technologies and Innovation



Defence Learning and Training



Emergency Management



Immersive Learning

\$106M

FY23 Revenues

16%
of total Revenues

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Product	1,567	1,581	6,235	3,670
Service	22,661	20,218	99,957	87,998
Revenues	24,228	21,799	106,192	91,668
Gross profit	5,600	4,867	26,952	23,271
Gross profit %	23%	22%	25%	25%
Adjusted EBITDA ¹	3,105	2,989	16,560	16,883
Adjusted EBITDA ¹ Margin%	13%	14%	16%	18%
Organic/ Acquisitive Revenue Growth	11%/ Nil	8%/ 16%	16%/ Nil	7%/ 16%
New contract signings (gross)	8,000	10,000	26,000	154,000
Backlog	247,712	328,330	247,712	328,330

Three-months ended September 30, 2023

For the three-month period ended September 30, 2023, revenues increased 11% to \$24,228, compared to the same period last year. This growth is all organic and was driven by strong demand for military training with existing Canadian

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

customers as well as demand for new products and technologies for NATO customers due to geo-political issues and renewed focus on readiness.

For the three-month period ended September 30, 2023, adjusted EBITDA¹ increased 4% to \$3,105, compared to the same period last year driven by revenue growth and increased gross margins. It was partially offset by increased research and development expenses to support growth in new countries in Europe. Adjusted EBITDA¹ margin declined slightly to 13% from 14% when compared to the same period of the previous year.

In the quarter, Learning signed new contracts valued at \$8 million.

Twelve-months ended September 30, 2023

For the year ended September 30, 2023, revenues increased 16% to \$106,192, compared to the same period last year, surpassing the \$100,000 mark for the first time. This growth was all organic and was primarily driven by strong demand with existing customers.

For the year ended September 30, 2023, adjusted EBITDA¹ was \$16,560, in line with the same period last year, as increased research and development expenses of \$3,049 offset the growth in revenues and gross profit. As a result, adjusted EBITDA¹ margin decreased to 16%, versus 18% last year.

Selected highlights for the year:

- Experienced strong demand in legacy contracts in Canada due to the geo-political environment and a renewed focus on readiness
- Expanded the Company's global training footprint in NATO countries with projects in France, Turkey, Poland, Germany, the Netherlands, Australia, the Philippines, Jamaica, Indonesia, Jordan and Switzerland
- Continued to innovate by bringing new integrated synthetic training environment capabilities online, developing features for command-and-control software and embedding artificial intelligence in the Company's exercise design capabilities
- Increased academic clients with the University of Guelph, Sault College, Conestoga College, Centennial College and McMaster University

For the year, Learning signed new contracts valued at \$26 million and ended the year with a solid realizable backlog of \$248 million.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

ITCS

Offers IT and cybersecurity solutions to support customers in their digital transformation from advisory through to implementation, as well as the delivery, management, monitoring and securing of complex IT infrastructures.



Cybersecurity



Enterprise Solutions



Digitalization



XaaS

29%
of total Revenues

\$189M
FY23 Revenues

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Product	12,856	37,111	44,741	62,542
Service	34,775	31,653	144,431	110,423
Revenues	47,631	68,764	189,172	172,965
Gross profit	16,341	25,077	68,689	61,069
Gross profit %	34%	36%	36%	35%
Adjusted EBITDA ¹	5,653	12,393	23,459	29,521
Adjusted EBITDA ¹ Margin %	12%	18%	12%	17%
Organic/ Acquisitive Revenue Growth	-31% / Nil	12% / 185%	-13% / 22%	8% / 102%
New contract signings (gross)	87,000	56,000	247,000	206,000
Backlog	140,688	96,515	140,688	96,515

Three-months ended September 30, 2023

For the three-month period ended September 30, 2023, revenues decreased 31% to \$47,631, compared to the same period last year where a disproportionate amount of products were shipped due to the easing of supply chain issues. The decrease is also due to lower revenues from on demand government and managed services due to market dynamics.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

For the three-month period ended September 30, 2023, adjusted EBITDA¹ decreased 54% to \$5,653, compared to the same period last year, due to lower revenues in a highly fixed cost business. It was partially offset by the implementation of the restructuring plan midway through the quarter which saw a reduction in selling and marketing expenses of \$2,560. As a result, adjusted EBITDA¹ margin decreased to 12%, from 18% for the same period last year.

In the quarter, ITCS signed new contracts valued at \$87 million, implying a book-to-bill ratio of 1.8.

Twelve-months ended September 30, 2023

For the year ended September 30, 2023, revenues increased 9% to \$189,172, compared to the same period last year. Acquisitive growth was 22% which is due to the remainder of the acquisitive contribution from the acquisition of Computex which was completed in the prior year. Organic growth was negative 13% due to lower revenues in the second half of the year, primarily as a result of its value-added resale business in the U.S.

Note that Calian measures growth through acquisition on a trailing twelve-month basis. Once the acquisition has been included in results for twelve months, its contribution is included in the organic growth metric.

For the year ended September 30, 2023, adjusted EBITDA¹ decreased 21% to \$23,459, compared to the same period last year and adjusted EBITDA¹ margin decreased to 12% versus 17% last year. This performance decline is primarily due to lower revenues relating to our VAR sales intake in the prior year coupled with a highly fixed cost business, along with growth investments made since the start of the fiscal year which were addressed in the restructuring plan implemented midway through the fourth quarter.

Selected highlights for the year:

- Appointed Michael Tremblay as new President, ITCS subsequent to year end
- Signed new contracts including Shared Services Canada, GPD Companies, Resound Networks, Omni-Logistics as well as for one of the world's leading gas companies, family entertainment company and powersports company
- Recognized as an Elite 500 on CRN's Managed Service Provider 500 list for 2023
- Earned various partner recognition awards from CrowdStrike, Cisco, Microsoft, OEMC, Proofpoint and Forescout

For the year, ITCS signed new contracts valued at \$247 million and ended the year with a solid backlog of \$141 million. Backlog for the segment has increased by \$40 million from the third quarter ended amount which suggests that some delays occurred for product shipments which will push into fiscal 2024.

Shared Services

For the three-month period ended September 30, 2023, shared services expenses increased by \$2,998 to \$10,186, compared to the same period last year. This is due to additional costs in relation to M&A activities, additional investments in information system applications to support the organizations growth, and costs recognized for performance share units which pertain to long term growth targets of the Company.

For the year ended September 30, 2023, shared services expenses increased by \$6,228 to \$35,691, compared to the same period last year. These increased expenses relate to additional headcount to support growth, additional costs for key functions such as M&A and information systems, additional costs from foreign exchange and costs noted for performance share units.

Selected Quarterly Financial Data

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 fourth quarters 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. 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. The following table sets forth selected financial information for the Company's past eight quarters.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

(Canadian dollars in millions, except per share data)

	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22
Revenues								
	\$	\$	\$	\$	\$	\$	\$	\$
Advanced Technologies	52.5	44.8	46.8	34.3	30.5	39.2	39.6	41.1
Health	51.6	49.1	43.6	40.4	39.4	39.7	45.4	42.4
Learning	24.2	26.7	28.8	26.4	21.8	22.3	24.8	22.8
ITCS	47.6	45.9	49.3	46.4	68.8	48.8	32.3	23.2
Total Revenue	175.9	166.5	168.5	147.5	160.5	150.0	142.1	129.5
Cost of revenue	120.2	115.4	116.5	102.3	110.4	104.5	102.2	95.8
Gross profit	55.7	51.1	52.0	45.2	50.1	45.5	39.9	33.7
Selling and marketing	10.5	11.9	11.8	11.1	13.1	9.6	5.3	4.5
General and administration	22.0	21.4	20.5	17.4	17.0	18.0	16.6	13.8
Research and development	2.8	3.3	2.9	2.4	1.0	1.8	1.2	1.4
Profit before under noted items	20.4	14.5	16.8	14.3	19.0	16.1	16.8	14.0
Depreciation of equipment, application software and capitalized research and development	2.1	2.4	2.3	2.3	2.4	2.3	1.4	1.2
Depreciation of right of use assets	1.4	1.2	1.0	1.0	1.0	1.0	0.9	0.8
Amortization of acquired intangible assets	4.5	3.6	3.4	3.4	3.5	3.4	10.1	3.6
Other changes in fair value	(0.3)	-	-	-	-	-	-	-
Restructuring expense	2.6	-	-	-	-	-	-	-
Deemed compensation	0.4	-	0.1	0.1	3.3	-	0.2	0.7
Changes in fair value related to contingent earn-out	0.4	-	2.5	0.7	2.3	0.7	1.6	1.0
Profit before interest and income tax expense	9.3	7.3	7.5	6.8	6.5	8.7	2.6	6.7
Lease interest expense	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest expense (income)	0.6	(0.2)	-	-	-	0.1	0.1	0.1
Profit before income tax expense	8.5	7.4	7.4	6.7	6.4	8.5	2.4	6.5
Income tax expense	3.4	2.7	2.9	2.1	5.4	1.8	1.1	2.2
Net profit	5.1	4.7	4.5	4.6	1.0	6.7	1.3	4.3
Weighted average shares outstanding - Basic	11.8M	11.7M	11.7M	11.6M	11.4M	11.3M	11.3M	11.3M
Weighted average shares outstanding - Diluted	11.8M	11.8M	11.8M	11.7M	11.5M	11.4M	11.4M	11.4M
Net profit per share								
Basic	0.43	0.40	0.39	0.39	0.10	0.60	0.11	0.38
Diluted	0.43	0.40	0.38	0.39	0.10	0.60	0.11	0.38
Adjusted EBITDA ¹ per share								
Basic	1.73	1.24	1.45	1.23	1.67	1.48	1.24	1.24
Diluted	1.72	1.23	1.45	1.22	1.66	1.47	1.23	1.23

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

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, 2023 and 2022 (Canadian dollars in thousands, except per share data):

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Revenue				
Advanced Technologies	52,521	30,517	178,363	150,398
Health	51,568	39,470	184,856	167,141
Learning	24,228	21,799	106,192	91,668
ITCS	47,631	68,764	189,172	172,965
Total Revenue	175,948	160,550	658,583	582,172
Cost of revenues	120,152	110,400	454,371	412,946
Gross profit	55,796	50,150	204,212	169,226
Selling and marketing	10,545	13,064	45,410	32,514
General and administration	22,034	17,004	81,363	65,408
Research and development	2,836	1,015	11,452	5,372
Profit before under noted items	20,381	19,067	65,987	65,932
Depreciation of equipment, application software and capitalized research and development	2,133	2,308	9,043	6,974
Depreciation of right of use assets	1,352	950	4,501	3,629
Amortization of acquired intangible assets	4,460	3,484	14,874	20,555
Restructuring expense	2,618	-	2,618	-
Other changes in fair value	(314)	-	(314)	-
Deemed compensation	403	3,314	550	4,314
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Profit before interest income and income tax expense	9,313	6,722	30,857	24,905
Lease obligations interest expense	159	143	531	451
Interest expense	634	7	365	295
Profit before income tax expense	8,520	6,572	29,961	24,159
Income tax expense - current	3,776	5,650	12,919	14,307
Income tax recovery - deferred	(375)	(273)	(1,843)	(3,752)
Total income tax expense	3,401	5,377	11,076	10,555
NET PROFIT	5,119	1,195	18,885	13,604
Net profit per share:				
Basic	0.43	0.10	1.61	1.19
Diluted	0.43	0.10	1.61	1.19

Consolidated Statements of Cash Flows

For the years ended September 30, 2023 and 2022 (Canadian dollars in thousands):

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES				
Net profit	5,119	1,195	18,885	13,604
Items not affecting cash:				
Interest expense	634	7	365	295
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Lease obligations interest expense	159	143	531	451
Income tax expense	3,401	5,377	11,076	10,555
Employee share purchase plan expense	130	125	597	518
Share based compensation expense	1,618	571	3,273	1,927
Depreciation and amortization	7,945	6,742	28,418	31,158
Deemed compensation	403	3,314	550	4,314
Other changes in fair value	(314)	-	(314)	-
	19,511	19,763	67,239	68,377
Change in non-cash working capital				
Accounts receivable	(8,971)	(41,755)	1,393	(28,822)
Work in process	6,166	13,785	23,285	15,444
Prepaid expenses and other	(3,848)	(10,443)	(829)	(20,137)
Inventory	1,873	681	(3,340)	(4,340)
Accounts payable and accrued liabilities	9,475	20,962	(17,947)	15,142
Unearned contract revenue	4,918	403	928	11,333
	29,124	3,396	70,729	56,997
Interest paid	(791)	(150)	(895)	(747)
Income tax paid	(5,629)	(3,258)	(13,059)	(13,109)
	22,704	(12)	56,775	43,141
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES				
Issuance of common shares net of costs	760	571	2,901	2,705
Dividends	(3,335)	(3,249)	(13,163)	(12,765)
Draw (repayment) on debt facility	37,750	-	30,250	7,500
Payment of lease obligations	(1,261)	(929)	(4,382)	(3,655)
Repurchase of common shares	(1,670)	-	(1,670)	-
	32,244	(3,607)	13,936	(6,215)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Investments	-	-	(2,689)	-
Business acquisitions	(59,834)	(2,928)	(68,494)	(65,566)
Capitalized research and development	-	(2)	(86)	(177)
Equipment and application software	(2,368)	(2,240)	(8,354)	(7,148)
	(62,202)	(5,170)	(79,623)	(72,891)
NET CASH OUTFLOW	(7,254)	(8,789)	(8,912)	(35,965)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	40,988	51,435	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD	33,734	42,646	33,734	42,646

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

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Weighted average number of common shares – basic	11,790,964	11,399,172	11,714,887	11,343,615
Additions to reflect the dilutive effect of employee stock options and RSUs	49,575	72,928	25,791	39,725
Weighted average number of common shares – diluted	11,840,539	11,472,100	11,740,678	11,383,340

The following table presents the revenue of the Company for the year ended September 30, 2023 and 2022 (Canadian dollars in thousands):

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Product revenue				
Advanced Technologies	32,367	16,021	106,298	93,038
Health	1	5	1	5
Learning	1,567	1,581	6,235	3,670
ITCS	12,856	37,111	44,741	62,542
Total product revenue	46,791	54,718	157,275	159,255
Service revenue				
Advanced Technologies	20,154	14,496	72,065	57,360
Health	51,567	39,465	184,855	167,136
Learning	22,661	20,218	99,957	87,998
ITCS	34,775	31,653	144,431	110,423
Total service revenue	129,157	105,832	501,308	422,917
Total revenue	175,948	160,550	658,583	582,172

Segmented information is as follows for three months ended September 30, 2023 (Canadian dollars in thousands):

For the three months ended September 30, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
	\$	\$	\$	\$	\$	\$
Revenue	52,521	51,568	24,228	47,631	-	175,948
Cost of revenues	33,845	36,389	18,628	31,290	-	120,152
Gross profit	18,676	15,179	5,600	16,341	-	55,796
Gross profit %	36%	29%	23%	34%	N/A%	32%
Selling and marketing	2,649	914	483	5,733	766	10,545
General and administration	3,390	3,066	1,217	4,941	9,420	22,034
Research and development	1,550	477	795	14	-	2,836
Profit before under noted items	11,087	10,722	3,105	5,653	(10,186)	20,381
Profit before under noted items %	21%	21%	13%	12%	N/A%	12%
Depreciation of equipment, application software and R&D						2,133
Depreciation of right of use asset						1,352
Amortization of acquired intangibles						4,460
Other changes in fair value						(314)
Restructuring expense						2,618
Deemed compensation						403
Changes in fair value related to contingent earn-out						416
Profit before interest income and income tax expense						9,313
Lease interest expense						159
Interest income						634
Profit before income tax expense						8,520
Income tax expense - current						3,776
Income tax recovery - deferred						(375)
Total income tax expense						3,401
NET PROFIT FOR THE PERIOD						5,119

Segmented information is as follows for three months ended September 30, 2022 (Canadian dollars in thousands):

For the three months ended September 30, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
	\$	\$	\$	\$	\$	\$
Revenue	30,517	39,470	21,799	68,764	-	160,550
Cost of revenues	20,341	29,440	16,932	43,687	-	110,400
Gross profit	10,176	10,030	4,867	25,077	-	50,150
Gross profit %	33%	25%	22%	36%	N/A%	31%
Selling and marketing	2,764	749	457	8,293	801	13,064
General and administration	2,162	2,823	1,421	4,211	6,387	17,004
Research and development	734	101	-	180	-	1,015
Profit before under noted items	4,516	6,357	2,989	12,393	(7,188)	19,067
Profit before under noted items %	15%	16%	14%	18%	N/A%	12%
Depreciation of equipment, application software and R&D						2,308
Depreciation of right of use asset						950
Amortization of acquired intangibles						3,484
Deemed compensation						3,314
Changes in fair value related to contingent earn-out						2,289
Profit before interest income and income tax expense						6,722
Lease interest expense						143
Interest income						7
Profit before income tax expense						6,572
Income tax expense - current						5,650
Income tax recovery - deferred						(273)
Total income tax expense						5,377
NET PROFIT FOR THE PERIOD						1,195

Financial Position

Working capital as a percentage of revenue has remained steady at 13.6% at September 30, 2023 versus 13.8% for the prior year. This is a testament to the Company's ability to increase growth while managing its investments in working capital. The total working capital for the Company has increased which is primarily a factor of acquisitions made in the fiscal year, however the cash flow impact from working capital for the three-month period ended September 30, 2023 was positive, returning over \$9 million in cash to the Company. Working capital is calculated using the Company's current accounts receivable, work in process, inventory and prepaid expenses less the Company's current accounts payable and accrued liabilities, provisions and unearned contract revenue.

Assets

As at September 30, 2023, total assets stood at \$585,723, versus \$547,162 as at September 30, 2022. The increase in total assets is primarily a result of the acquisition of HPT with the corresponding purchased assets.

As at September 30, 2023, cash and cash equivalents were \$33,734, compared to \$42,646 at September 30, 2022.

Liabilities

As at September 30, 2023, total liabilities stood at \$257,351, versus \$241,976 as at September 30, 2022. The increase is primarily a result of the acquisition of HPT.

On July 24, 2023, Calian closed a \$180 million debt facility with a lending syndicate. This new three-year term revolving credit facility includes an uncommitted accordion of \$75 million for total availability of up to \$255 million. As at September 30, 2023, the Company had an unused debt facility of \$142,250. This facility, combined with cash on hand, provides Calian with net liquidity of \$175,984 to pursue its growth.

As at September 30, 2023, Calian had net debt of \$4,016 and its net debt to adjusted EBITDA¹ ratio was 0.1x, well below its maximum target of 2.5x. Net debt is defined as the Company's cash less its debt balance. As at September 30, 2023, the Company was in full compliance with its debt covenants.

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

There were no off-balance sheet arrangements as at September 30, 2023.

Shareholders' Equity

As at September 30, 2023, shareholders' equity stood at \$328,372, compared to \$305,186 as at September 30, 2022. The increase in shareholders' equity was mainly attributable to net profit of \$18,885, a \$4,885 increase in accumulated other comprehensive income and shares issued of \$12,871, partially offset by \$13,163 million in dividends, share repurchases of \$1,669 and the costs of equity compensation incurred in the year.

On August 30, 2023, the TSX accepted Calian's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to 1,044,012 common shares during the 12-month period commencing September 1, 2023 and ending August 31, 2024, representing approximately 10% of the public float of its common shares as at August 22, 2023.

For the three and twelve month periods ended September 30, 2023, the Company repurchased 32,094 common shares for cancellation in consideration of \$1,669 under its NCIB.

Share Capital

As at September 30, 2023, the capital stock issued and outstanding of the Company consisted of 11,812,650 common shares (11,607,391 as at September 30, 2022).

The following table presents the outstanding capital stock activity for the twelve-month periods ended September 30, 2023 and September 30, 2022.

	Twelve-months ended September 30, 2023	Twelve-months ended September 30, 2022
Balance October 1	11,607,391	11,285,828
Shares issued under employee share plans	60,311	45,742
Shares issued under employee share purchase plan	48,620	35,147
Shares issued through acquisition	128,422	240,674
Shares cancelled through NCIB program	(32,094)	-
Issued capital	11,812,650	11,607,391
Weighted average number of common shares – basic	11,714,887	11,343,615
Weighted average number of common shares – diluted	11,747,525	11,383,340

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Liquidity and Capital Resources

The following table provides selected information from the cash flow statement.

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Net profit	5,119	1,195	18,885	13,604
Items not affecting cash:	14,392	18,568	48,354	54,773
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	19,511	19,763	67,239	68,377
Change in non-cash working capital	9,613	(16,367)	3,490	(11,380)
Interest and income tax paid	(6,420)	(3,408)	(13,954)	(13,856)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	22,704	(12)	56,775	43,141
Dividends	(3,335)	(3,249)	(13,163)	(12,765)
Draw (repayment) on debt facility	37,750	-	30,250	7,500
Other	(2,171)	(358)	(3,151)	(950)
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES	32,244	(3,607)	13,936	(6,215)
Investments	-	-	(2,689)	-
Business acquisitions	(59,834)	(2,928)	(68,494)	(65,566)
Capital Expenditures	(2,368)	(2,242)	(8,440)	(7,325)
CASH FLOWS USED IN INVESTING ACTIVITIES	(62,202)	(5,170)	(79,623)	(72,891)
NET CASH OUTFLOW	(7,254)	(8,789)	(8,912)	(35,965)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	40,988	51,435	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD	33,734	42,646	33,734	42,646

Operating Activities

For the three-month period ended September 30, 2023, cash flows generated from operating activities amounted to \$22,704, compared to an outflow of \$12 for the same period last year, mainly due to higher profitability and working capital recapture.

For the year ended September 30, 2023, cash flows generated from operating activities amounted to \$56,775, compared to \$43,141 for the same period last year, mainly due to higher profitability and working capital recapture.

Financing Activities

For the three-month period ended September 30, 2023, financing activities increased cash by \$32,244 mainly due to borrowings on the credit facility of \$37,750, partially offset by dividend payments of \$3,335 and share repurchases of \$1,669. For the three-month period ended September 30, 2022, financing activities decreased cash by \$3,607, primarily as a result of dividend payments of \$3,249.

For the year ended September 30, 2023, financing activities increased cash by \$13,936, mainly due to borrowings on the credit facility of \$30,250, partially offset by dividend payments of \$13,163 and share repurchases of \$1,669. For the year ended September 30, 2022, financing activities decreased cash by \$6,215, mainly due to dividend payments of \$12,765, partially offset by borrowings on the credit facility of \$7,500.

Note that Calian 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.

Investing Activities

For the three-month period ended September 30, 2023, investing activities decreased cash by \$62,202, primarily due to the acquisition of HPT coupled with earn-out payments for previous acquisitions totaling \$59,834. For the three-month period ended September 30, 2022, investing activities decreased cash by \$5,170 mainly due to earn-out payments for previous acquisitions of \$2,928 and capital expenditures of \$2,242.

For the year ended September 30, 2023, investing activities decreased cash by \$79,623, primarily due to the acquisition of HPT coupled with earn-out payments for previous acquisitions totaling \$68,494 and capital expenditures of \$8,440. For the year ended September 30, 2022, investing activities decreased cash by \$72,891 mainly due to the acquisition of Computex and earn-out payments for previous acquisitions of \$65,566 and capital expenditures of \$7,325.

Subsequent Events

In November 2023, the Company entered into a definitive agreement to acquire all outstanding shares of Decisive Group Inc. ("Decisive"), an IT infrastructure and cyber security services business, for total cash consideration of approximately \$50,000 including earnouts of up to \$24,725 based on the achievement of certain levels of EBITDA performance over the next 12 months. This transaction was completed on December 1, 2023. Decisive will be reported as part of the ITCS operating segment.

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

The following 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 these 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 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.

¹ Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Adjusted EBITDA

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Net profit	5,119	1,195	18,885	13,604
Depreciation of equipment and application software	2,133	2,308	9,043	6,974
Depreciation of right of use asset	1,352	950	4,501	3,629
Amortization of acquired intangible assets	4,460	3,484	14,874	20,555
Restructuring expense	2,618	-	2,618	-
Other changes in fair value	(314)	-	(314)	-
Lease interest expense	159	143	531	451
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Interest expense (income)	634	7	365	295
Deemed Compensation	403	3,314	550	4,314
Income tax	3,401	5,377	11,076	10,555
Adjusted EBITDA	20,381	19,067	65,987	65,932

Adjusted Net Profit and Adjusted EPS

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Net profit	5,119	1,195	18,885	13,604
Restructuring expense	2,618	-	2,618	-
Other changes in fair value	(314)	-	(314)	-
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Deemed Compensation	403	3,314	550	4,314
Amortization of intangibles	4,460	3,484	14,874	20,555
Adjusted net profit	12,702	10,282	40,471	44,028
Weighted average number of common shares basic	11,790,964	11,399,172	11,714,887	11,343,615
Adjusted EPS Basic	1.08	0.90	3.45	3.88
Adjusted EPS Diluted	1.07	0.90	3.45	3.87

Operating Free Cash Flow

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Cash flows generated from operating activities	22,704	(12)	56,775	43,141
Capitalized research and development	-	(2)	(86)	(177)
Equipment and application software	(2,368)	(2,240)	(8,354)	(7,148)
Free cash flow	20,336	(2,254)	48,335	35,816
Free cash flow	20,336	(2,254)	48,335	35,816
Adjustments:				
Change in non-cash working capital	(9,613)	16,367	(3,490)	11,380
Operating free cash flow	10,723	14,113	44,845	47,196
Operating free cash flow per share	0.91	1.24	3.83	4.16

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. Operating free cash flow measures the company's cash profitability after required capital spending when excluding working capital changes. 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 IFRS. Our definition of adjusted net 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 IFRS. 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 IFRS financial measures. The Company has reconciled adjusted net profit to the most comparable IFRS financial measure as shown above.

Risk and Uncertainties

1. Economic uncertainty
2. Sustainability and management of recent growth
3. Acquisitions (none available, we don't grow, we don't integrate)
4. Access to Capital
5. Negative covenants in credit facilities
6. Liquidity/cash flow
7. Availability of commodities and inflationary prices
8. Security breaches – cyber attacks
9. Competition within key markets
10. Availability of qualified professionals
11. Government contracts
12. Defence industry
13. Non-Performance of a key supplier or contractor
14. Senior management personnel and succession planning
15. Concentration of key revenues
16. Performance on Fixed-Priced Contracts
17. Rapidly changing technologies and customer demands
18. Outsourcing/subcontracting
19. Historical pricing trends
20. Customer's ability to retain market share
21. Consolidation of customer base
22. Backlog
23. Accounts Receivable collection risk
24. Foreign currency
25. Foreign operations
26. Dependence on Subsidiaries' Cash Flows
27. Reputational and brand risks
28. Errors and defects in technology
29. Tax consequences
30. Privacy concerns
31. Intellectual property infringement and protection
32. Manufacturing limitations
33. Use of open-source software
34. Use of licensed technology
35. Insurance sufficiency
36. Medical malpractice
37. Negotiation of facilities leases
38. Warranty and product liability claims
39. Litigation
40. Climate risks
41. Environmental and Health & Safety risks
42. Events out of the Company's control (natural disasters, war, terrorism, illness, etc.,)
43. Fraud
44. Corruption
45. Conflicts of Interest
46. Product obsolesce
47. Covid-19 and impact on global markets
48. Changes in Laws, Rules and Regulations
49. SRED or other R&D tax credits
50. Transfer pricing
51. Investment in R&D
52. Compliance with ESG reporting requirements

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.

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 judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent 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. Specifically for the Advanced Technologies fixed-price contracts, there is significant judgement and estimation uncertainty in determining the estimated costs to complete, including materials, labour and subcontractor costs.

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 the 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.

Judgments

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 and is measured at the estimated fair value at each reporting period. 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, cash flow volatility and the appropriate discount rate.

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.

Disclosure Controls and Internal Controls over Financial Reporting

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, 2023, 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 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, 2023, 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, 2023, 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.

On behalf of Management,



Patrick Houston
Chief Financial Officer and Corporate Secretary
December 1, 2023

Audited Annual Consolidated Financial Statements

For the year ended September 30, 2023



Independent Auditor's Report

To the Shareholders of Calian Group Ltd.

Opinion

We have audited the consolidated financial statements of Calian Group Ltd. (the "Entity"), which comprise:

- the consolidated statement of financial position as at September 30, 2023
- the consolidated statement of net profit for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at September 30, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity 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 financial statements for the year ended September 30, 2023.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the estimated costs to complete for the Advanced Technologies fixed price contracts

Description of the matter

We draw attention to Notes 2(a), 3, and 20 to the financial statements. The Entity 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 based on management's best estimate of the costs and related risks associated with completing the projects. Specifically for the Advanced Technologies fixed-price contracts, there is significant judgement in determining the estimated costs to complete, including materials, labour and subcontractor costs. The service revenue in Advanced Technologies is \$72,065 thousand, the majority of which is composed of fixed price contracts.

Why the matter is a key audit matter

We identified the evaluation of the estimated costs to complete for the Advanced Technologies fixed price contracts as a key audit matter. This matter represents a significant risk of material misstatement due to the magnitude of the balance and the high degree of judgment in determining the estimated costs to complete. Significant auditor judgment was required in evaluating the results of our audit procedures over the estimated costs to complete.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design and tested the operating effectiveness of certain controls over the Entity's revenue recognition process. This included a control related to the evaluation of estimated costs to complete fixed price contracts.

We evaluated the Entity's ability to estimate costs to complete fixed price contracts by comparing actual costs incurred for a selection of fixed price contracts completed in the current year against the total contract costs estimated in the prior year.

For a selection of fixed price contracts:

- We evaluated the estimated costs to complete by inspecting the executed contracts, including any significant amendments, inquiring with the project manager, and obtaining supporting documentation, such as project planning documents
- We evaluated the materials, labour, and subcontractor costs included in the estimated costs to complete through inquiring with the project manager and inspecting corroborative evidence, such as correspondence between the Entity and the customer, suppliers, and subcontractors.

Evaluation of the acquisition-date fair value of customer relationships related to the Hawaiian Pacific Teleport business acquisition

Description of the matter

We draw attention to Notes 2, 3, 13, and 25 to the financial statements. On August 1, 2023, the Entity acquired the outstanding shares of Hawaiian Pacific Teleport ("HPT"), for a total purchase price of \$57,391 thousand. The acquisition-date fair value of the customer relationships is \$28,553 thousand. The Entity estimates the fair value of the customer relationships using the multi-period excess earnings method. The valuation involves significant estimation uncertainty, including assumptions relating to forecasted revenues and forecasted earnings before interest and tax ("EBIT") margins attributable to the customer relationships, customer attrition rate, and discount rate.

Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair value of the customer relationships related to the Hawaiian Pacific Teleport business acquisition as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the fair value and high degree of estimation uncertainty in determining the fair value of the customer relationships. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of the customer relationships to change in the assumptions noted above.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Entity's forecasted revenues and EBIT margins by considering historical results, industry data, and publicly available market data for comparable entities. We took into account changes in conditions and events affecting the customer relationships to assess the adjustment, or lack of adjustments, made by the Entity to historical results in arriving at the forecasted amounts.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the customer attrition rate by comparing against publicly available market data from comparable companies
- Evaluating the Entity's discount rate by comparing against discount rate ranges that were independently developed using industry data and publicly available market data from comparable companies.

Other Matter – Comparative Information

The financial statements for the year ended September 30, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on November 24, 2022.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report 2023."

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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditor's report thereon, included in a document entitled "Annual Report 2023" as at the date of the 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 the auditor's report.

We have nothing to report in this regard.

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 Accounting Standards as issued by the International Accounting Standards Board, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditor's report is Mahesh Mani.
Ottawa, Canada
December 1, 2023

Calian Group Ltd. Consolidated statements of financial position

As at September 30, 2023 and 2022, (Canadian dollars in thousands, except per share data)

	NOTES	September 30, 2023	September 30, 2022
	\$	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	33,734	42,646
Accounts receivable	6	173,052	171,453
Work in process	9	16,580	39,865
Inventory	7	21,983	18,643
Prepaid expenses	8	19,040	23,780
Derivative assets	24	155	123
Total current assets		264,544	296,510
NON-CURRENT ASSETS			
Capitalized research and development	10	1,068	2,186
Equipment	10	26,709	16,623
Application software	10	9,446	10,395
Right of use asset	11	34,637	16,678
Investments	12	3,673	670
Acquired intangible assets	13	75,160	57,087
Prepaid expenses	8	10,386	-
Deferred tax asset		967	1,054
Goodwill	14	159,133	145,959
Total non-current assets		321,179	250,652
TOTAL ASSETS		585,723	547,162
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt facility	17	37,750	7,500
Accounts payable and accrued liabilities	15	105,550	126,096
Contingent earn-out	26	11,263	25,676
Provisions	16	2,848	1,249
Unearned contract revenue	9	32,423	46,210
Derivative liabilities	24	353	812
Lease obligations	11	4,949	4,115
Total current liabilities		195,136	211,658
NON-CURRENT LIABILITIES			
Lease obligations	11	32,057	14,920
Contingent earn-out	26	2,535	2,874
Unearned contract revenue	9	15,592	-
Deferred tax liabilities	22	12,031	12,524
Total non-current liabilities		62,215	30,318
TOTAL LIABILITIES		257,351	241,976
SHAREHOLDERS' EQUITY			
Issued capital	18	225,540	213,277
Contributed surplus		4,856	3,479
Retained earnings		96,859	92,198
Accumulated other comprehensive income (loss)		1,117	(3,768)
TOTAL SHAREHOLDERS' EQUITY		328,372	305,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		585,723	547,162
Number of common shares issued and outstanding	18	11,812,650	11,607,391

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


George Weber, Chairman


Ray Basler, Director

Calian Group Ltd.

Calian Group Ltd. Consolidated statements of net profit

For the years ended September 30, 2023 and 2022, (Canadian dollars in thousands, except per share data)

	NOTES	Year ended September 30,	
		2023	2022
		\$	\$
Revenue			
Advanced Technologies		178,363	150,398
Health		184,856	167,141
Learning		106,192	91,668
ITCS		189,172	172,965
Total Revenue	20	658,583	582,172
Cost of revenues		454,371	412,946
Gross profit		204,212	169,226
Selling and marketing		45,410	32,514
General and administration		81,363	65,408
Research and development		11,452	5,372
Profit before under noted items		65,987	65,932
Depreciation of equipment, application software and research and development	10	9,043	6,974
Depreciation of right of use asset	11	4,501	3,629
Amortization of acquired intangible assets	13	14,874	20,555
Restructuring expense		2,618	-
Other changes in fair value	12	(314)	-
Deemed compensation	25, 26	550	4,314
Changes in fair value related to contingent earn-out	25, 26	3,858	5,555
Profit before interest income and income tax expense		30,857	24,905
Lease obligations interest expense	11	531	451
Interest expense		365	295
Profit before income tax expense		29,961	24,159
Income tax expense - current	22	12,919	14,307
Income tax recovery - deferred	22	(1,843)	(3,752)
Total income tax expense		11,076	10,555
NET PROFIT		18,885	13,604
Net profit per share:			
Basic	21	1.61	1.19
Diluted	21	1.61	1.19

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, 2023 and 2022, (Canadian dollars in thousands)

	Year ended September 30,	
	2023	2022
	\$	\$
NET PROFIT	18,885	13,604
Items that will be reclassified subsequently to net profit		
Cumulative translation adjustment	2,528	(711)
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of \$912 (2022 - \$1,485)	2,357	(3,874)
Other comprehensive income (loss), net of tax	4,885	(4,585)
COMPREHENSIVE INCOME	23,770	9,019

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

Calian Group Ltd. Consolidated statements of changes in equity

For the years ended September 30, 2023 and 2022, (Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
		\$	\$	\$	\$	\$
Balance October 1, 2022		213,277	3,479	92,198	(3,768)	305,186
Net profit and comprehensive income		-	-	18,885	4,885	23,770
Dividend paid (\$1.12 per share)		-	-	(13,163)	-	(13,163)
Share repurchase		(609)	-	(1,061)	-	(1,670)
Shares issued under employee share plans	18	2,472	(1,524)	-	-	948
Shares issued through acquisition	26	3,964	-	-	-	3,964
Contingent earn-out	26	3,511	-	-	-	3,511
Shares issued under employee share purchase plan	18	2,925	-	-	-	2,925
Share-based compensation expense	19	-	2,901	-	-	2,901
Balance September 30, 2023		225,540	4,856	96,859	1,117	328,372

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
		\$	\$	\$	\$	\$
Balance October 1, 2021		194,960	5,224	91,359	817	292,360
Net profit and comprehensive income (loss)		-	-	13,604	(4,585)	9,019
Dividend paid (\$1.12 per share)		-	-	(12,765)	-	(12,765)
Shares issued under employee share plans	18	2,047	(1,045)	-	-	1,002
Contingent earn-out	26	14,049	(2,627)	-	-	11,422
Shares issued under employee share purchase plan	18	2,221	-	-	-	2,221
Share-based compensation expense	19	-	1,927	-	-	1,927
Balance September 30, 2022		213,277	3,479	92,198	(3,768)	305,186

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, 2023 and 2022, (Canadian dollars in thousands)

	NOTES	Year ended September 30,	
		2023	2022
		\$	\$
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES			
Net profit		18,885	13,604
Items not affecting cash:			
Interest expense		365	295
Changes in fair value related to contingent earn-out	26	3,858	5,555
Lease obligations interest expense	11	531	451
Income tax expense		11,076	10,555
Employee share purchase plan expense	19	597	518
Share based compensation expense	19	3,273	1,927
Depreciation, amortization and impairment	10, 11, 13	28,418	31,158
Deemed compensation	25, 26	550	4,314
Other changes in fair value		(314)	-
		67,239	68,377
Change in non-cash working capital			
Accounts receivable		1,393	(28,822)
Work in process		23,285	15,444
Prepaid expenses and other		(829)	(20,137)
Inventory		(3,340)	(4,340)
Accounts payable and accrued liabilities		(17,947)	15,142
Unearned contract revenue		928	11,333
		70,729	56,997
Interest paid		(895)	(747)
Income tax paid	22	(13,059)	(13,109)
		56,775	43,141
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES			
Issuance of common shares net of costs	18, 19	2,901	2,705
Dividends		(13,163)	(12,765)
Draw (repayment) on debt facility	17	30,250	7,500
Payment of lease obligations	11	(4,382)	(3,655)
Repurchase of common shares		(1,670)	-
		13,936	(6,215)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments	12	(2,689)	-
Business acquisitions	25	(68,494)	(65,566)
Capitalized research and development	10	(86)	(177)
Equipment and application software	10	(8,354)	(7,148)
		(79,623)	(72,891)
NET CASH OUTFLOW			
		(8,912)	(35,965)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD			
		42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD			
		33,734	42,646

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, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

1. Basis of Preparation

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

Statement of compliance

These 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 Standards Board ("IASB") and in place for September 30, 2023. 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 December 1, 2023.

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, Calian Agriculture Ltd. (formerly "IntraGrain Technologies Inc."), located in Regina, Saskatchewan, SatService Gesellschaft für Kommunikationssysteme mbH ("SatService"), located in Steisslingen, Germany, Calian Contract Research Organization Ltd. (formerly "Allphase Clinical Research Services Inc."), located in Ottawa, Ontario, Calian Patient Support Programs Ltd. (formerly "Alio Health Services Inc."), located in Ottawa, Ontario, Calian Europe AS (formerly "Comprehensive Training Solutions AS"), located in Stavanger, Norway, Tallysman Wireless Inc. ("Tallysman"), located in Ottawa, Ontario, Calian UK Ltd. (formerly "Cadence Consultancy Limited"), located in London, England, InterTronic Solutions Inc. ("InterTronic"), located in Vaudreuil-Dorion, Quebec, Calian Digital Solutions Ltd. (formerly "Dapasoft Inc."), located in Toronto, Ontario, SimFront Simulation Systems Corporation ("Simfront"), located in Ottawa, Ontario, Calian Corp. located in Houston, Texas, and Hawaiian Pacific Teleport Ltd. ("HPT"), located in Kapolei, Hawaii. 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, rapid response healthcare support and psychological assessments
- Learning services including Custom Training for the military, emergency preparedness and simulation training
- IT services including IT support, systems implementation services, cyber security consulting and cyber security monitoring

Calian Group Ltd.

Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(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 used in many applications across multiple industries
- 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 the majority of fixed price revenue for the Company, 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. For a select few projects, the Company will recognize revenue by measuring progress toward complete satisfaction of that performance obligation using the output method. 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. For certain contracts, the Company does not have control of the product prior to delivery to the customer. In this case, revenue is measured net of cost of sales.

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.

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. For other customer arrangements across the portfolio contracts, 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.

Calian Group Ltd.

Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

2. Summary of Significant Accounting Policies (continued)

In certain contracts for products, the Company may agree to provide warranty and maintenance services for periods that can extend up to 5 years. Warranty and maintenance are often included in the transaction price and is an after-sales service. Upon expiration, the warranty period may be extended at the customer's option. Regardless of whether a renewal option exists in a contract, the Company does not account for a renewal option until this option is agreed upon. This is subsequently accounted for at the agreed upon price on renewal. Consequently, the option to extend the 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. 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.

(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, 2023 and 2022
(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.

The Company has compensation units that are to be settled in cash but are tied to the value of the share price of the Company. At each reporting period end the Company values the fair market value of the units outstanding through use of the Black-Scholes method.

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

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

2. Summary of Significant Accounting Policies (continued)

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.

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, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

2. Summary of Significant Accounting Policies (continued)

Inventory

Inventories are recorded at the lower of cost or net realizable value. Global Navigation Satellite System (GNSS) inventory is calculated using the FIFO method. All remaining inventory is calculated using 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.

Capitalized Research and Development (“R&D”)

Research costs are expensed as incurred. Internally developed internal-use asset costs 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 five years. Costs include expenditures that are directly attributable to its construction.

Equipment

Equipment, comprising furniture, computer equipment, along with leasehold improvements, and buildings, are 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: 3 to 13 years
- Building: 20 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.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

2. Summary of Significant Accounting Policies (continued)

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 ten years. The amortization method and estimate of useful lives are reviewed annually.

Acquired intangible assets

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

- Customer 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

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. 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 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 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.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

2. Summary of Significant Accounting Policies (continued)

For the years ended September 30, 2023 and 2022, key assumptions were developed to arrive at estimated carrying values per segment including discount rates, projected cash earnings after tax and projected capital expenditures.

The Company used these key assumptions to develop their estimated carrying values as of September 30, 2023. This includes the forecasted performance by segment for fiscal 2024 which the Company undertakes annually with review at various levels of management and is approved by the board of directors, with growth rates on cash flows of 10% for the subsequent four years. The terminal growth rate was estimated at 3% for each segment which is in line with management's best estimate with reference to common practices in the industry, and representative of long term growth given past experience. When using these assumptions with an anticipated discount rate of 12.4% for 2023, the Company has concluded that the excess value over the carrying value of assets in each segment ranged from 48% to 518%. At September 30, 2023 and 2022, management assessed the recoverable amount of goodwill and concluded that a goodwill impairment charge was not required.

As an additional step, the Company evaluated multiple sensitivities using lower growth rates in the forecast period. Using growth rates of 5% and 3% growth rates while maintaining the discount rate and terminal growth rates, our estimates still exceeded the carrying values at September 30, 2023. Using a 5% growth rate, excess value over the carrying value of assets in each segment ranged from 23% to 418%, and at 3% there is excess ranging from 14% to 381%. Management believes that these sensitivity calculations, along with reasonable changes in other key assumptions used in the model would not cause the carrying value to exceed the recoverable amount.

Business acquisition

Acquisition of businesses is accounted for using the acquisition method. The consideration transferred in a business combination is measured at estimated 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 estimated 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 estimated 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 estimated 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 estimated fair value and included as part of the consideration transferred in a business combination. Changes in the estimated 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

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

2. Summary of Significant Accounting Policies (continued)

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. Changes in the estimated fair value of the contingent consideration outside of the measurement period are adjusted prospectively against changes in fair value in the statement of net profit.

Foreign currency translation

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. At each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at each reporting period. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in net profit in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currencies (see note below for hedging policy).

The functional currency of the parent company and its subsidiaries is the Canadian dollar, except for Calian Corp. and HPT which is in USD, SatService which is in Euro, Calian Europe which is in Norwegian Krone, and Calian UK 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
Investments	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.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

2. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulties of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization. Financial assets are written off when there is no reasonable expectation of recovery.

Financial liabilities

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

Debt facility	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, 2023 and 2022
(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.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

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 judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent 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. Specifically for the Advanced Technologies fixed-price contracts, there is significant judgement and estimation uncertainty in determining the estimated costs to complete, including materials, labour and subcontractor costs.

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 the 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.

Judgments:

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 estimated 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 estimated fair value of the contingent consideration is recorded as a liability at the time of acquisition and is measured at the estimated fair value at each reporting period. The key assumptions utilized in determining estimated 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, cash flow volatility and the appropriate discount rate.

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.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

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 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	11,598	1.00	11,598
USD	13,013	1.35	17,567
GBP	167	1.65	275
EUR	2,331	1.43	3,333
NOK	7,392	0.13	961
Total cash and cash equivalents September 30, 2023			33,734
CAD	16,719	1.00	16,719
USD	12,933	1.37	17,718
GBP	388	1.51	586
EUR	5,619	1.34	7,529
NOK	723	0.13	94
Total cash and cash equivalents September 30, 2022			42,646

6. Accounts Receivable

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

	September 30, 2023	September 30, 2022
	\$	\$
Trade and accounts receivable	164,803	168,614
Tax and Scientific Research and Development receivable	4,394	2,235
Other	4,151	864
	173,348	171,713
Loss Allowance	(296)	(260)
	173,052	171,453

Bad debt expense recognized in the year ended September 30, 2023 (2022) is \$615 (\$427).

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

7. Inventory

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average cost and FIFO methods. 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, 2023	September 30, 2022
	\$	\$
Raw materials	15,519	12,187
Work in process inventory	3,472	2,717
Finished goods	2,992	3,739
	21,983	18,643

Inventory recognized as cost of revenues in the year ended is \$35,941 (\$19,838). Inventory provisions recognized in the year ended September 30, 2023 (2022) is \$517 (\$Nil).

8. Prepaid Expenses

The following table presents prepaid expenses as at:

	September 30, 2023	September 30, 2022
	\$	\$
Prepaid maintenance	20,250	18,924
Other prepaid expenses	9,176	4,856
	29,426	23,780
Current	19,040	23,780
Non-current	10,386	-
	29,426	23,780

9. Contract Assets and Liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	September 30, 2023	September 30, 2022
	\$	\$
Work in process	16,580	39,865
Unearned contract revenue (current)	(32,423)	(46,210)
Unearned contract revenue (non-current)	(15,592)	-
Net contract liabilities	(31,435)	(6,345)

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

9. Contract Assets and Liabilities (continued)

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

	Changes in Net Contract Assets	
	September 30, 2023	September 30, 2022
	\$	\$
Opening balance, October 1	(6,345)	31,986
Net additions	93,592	84,000
Billings	(117,805)	(110,774)
Acquisitions (Note 25)	(877)	(11,557)
Ending balance	(31,435)	(6,345)

10. Equipment

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

	Cost			Total	Depreciation		Carrying Value	
	Cost	Additions/Disposals	Acquisitions (Note 25)		Depreciation	Accumulated Depreciation	September 30, 2023	September 30, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Leasehold improvements	4,382	815	-	5,197	(664)	(2,432)	2,765	2,477
Building	-	1,321	-	1,321	(12)	(12)	1,309	-
Equipment	43,039	(606)	9,217	51,650	(5,764)	(29,015)	22,635	14,146
Total equipment & building	47,421	1,530	9,217	58,168	(6,440)	(31,459)	26,709	16,623
Application software	14,809	456	-	15,265	(1,400)	(5,819)	9,446	10,395
Capitalized research and development	5,052	86	-	5,138	(1,203)	(4,070)	1,068	2,186

The Company recognized foreign exchange of \$1,173 in the cost and \$576 in the depreciation of equipment.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

11. Right-of-Use Assets and Lease Obligations

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

	Years ended	
	September 30, 2023	September 30, 2022
	\$	\$
Balance October 1	16,678	15,383
Additions	2,302	2,467
Disposals and foreign exchange adjustments	30	(248)
Depreciation	(4,501)	(3,629)
Acquisitions (Note 25)	20,128	2,705
	34,637	16,678

The Company's leases are for land, 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, 2023	September 30, 2022
	\$	\$
Balance at October 1	19,035	17,478
Additions	2,403	2,559
Disposals and foreign exchange adjustments	(71)	(86)
Principal payments	(4,382)	(3,655)
Acquisitions (Note 25)	20,021	2,739
	37,006	19,035
Current	4,949	4,115
Non-current	32,057	14,920
Total	37,006	19,035

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

Total Undiscounted Lease Obligations	
	\$
Less than one year	6,822
One to five years	17,323
More than five years	24,850
Total undiscounted lease obligations	48,995

Total cash outflow for leases in the year ended September 30, 2023 (2022) is \$4,913 (\$4,106), including principal payments relating to lease obligations of \$4,382 (\$3,655), interest expense on lease obligations is \$531 (\$451). Expenses relating to short-term leases recognized in general and administration expenses was \$137 (\$76) for the year ended September 30, 2023 (2022).

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

12. Investments

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

During the period ended September 30, 2023, the Company invested \$2,000 USD (\$2,689) to acquire a minority interest in preferred shares of Field Effect Software Inc. ("Field Effect"). Field Effect is Ottawa based and provides cyber security solutions. The Company recognizes the investment at fair value and has adjusted its equity to the most recent fair value, resulting in a gain of \$314 recognized in the period ended September 30, 2023.

13. Acquired Intangible Assets

A continuity of the acquired intangible assets for the year ended September 30, 2023 is as follows:

	September 30, 2023				
	Opening Balance	Additions (Note 25)	Amortization	Foreign Exchange Revaluation	Closing Balance
	\$	\$	\$	\$	\$
Customer relationships	41,598	28,553	(9,850)	323	60,624
Discrete contracts with customers & non-competition agreements	586	4,071	(641)	-	4,016
Technology and trademarks	14,903	-	(4,383)	-	10,520
	57,087	32,624	(14,874)	323	75,160

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

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

	September 30, 2022					
	Opening Balance	Additions Note (25)	Amortization	Impairment (Note 23)	Foreign Exchange Revaluation	Closing Balance
	\$	\$	\$	\$	\$	\$
Customer relationships	29,611	18,778	(7,889)	-	1,098	41,598
Discrete contracts with customers & non-competition agreements	717	231	(362)	-	-	586
Technology and trademarks	24,191	3,037	(5,827)	(6,477)	(21)	14,903
	54,519	22,046	(14,078)	(6,477)	1,077	57,087

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

14. Goodwill

The following table presents the goodwill for the Company for the year ended September 30, 2023:

	September 30, 2023
	\$
Opening balance, October 1	145,959
Additions:	
Acquisition of HPT (Note 25)	12,916
Adjustments:	
Foreign Exchange	258
	159,133

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

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

	September 30, 2022
	\$
Opening balance, October 1	100,103
Additions:	
Acquisition of SimFront (Note 25)	8,950
Acquisition of Computex (Note 25)	35,621
Adjustments:	
Foreign Exchange	1,285
	145,959

15. Accounts Payable and Accrued Liabilities

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

	September 30, 2023	September 30, 2022
	\$	\$
Trade accounts payable	76,168	91,652
Payroll accruals	22,252	21,960
Income tax payable	2,150	3,225
Other accruals	4,980	9,259
	105,550	126,096

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

16. Provisions

Changes in provisions for the year ended September 30, 2023 were as follows:

	Product Warranties	Severance	Other	Total
	\$	\$	\$	\$
Balance at October 1, 2022	897	248	104	1,249
Additions	1,184	2,658	24	3,866
Utilization/Reversals	(746)	(1,511)	(10)	(2,267)
Balance at September 30, 2023	1,335	1,395	118	2,848

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

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

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, 2022, the Company utilized \$7,500 of the facility. The balance was repaid by the Company in the fiscal year ended September 30, 2023. 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.

On July 21, 2023, the Company signed an amended debt facility that provides the Company with the ability to draw up to \$180,000 CAD and an accordion feature of up to \$75,000 CAD. The agreement has a three-year term, which will mature on July 21, 2026. At September 30, 2023, the Company utilized \$37,750 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, 2023.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

18. Issued Capital and Reserves (continued)

Common share issued and outstanding:

	September 30, 2023		September 30, 2022	
	Shares	Amount	Shares	Amount
		\$		\$
Balance October 1	11,607,391	213,277	11,285,828	194,960
Shares issued under employee share plans	60,311	2,471	45,742	2,047
Shares issued under employee share purchase plan	48,620	2,925	35,147	2,221
Shares issued through acquisition	69,094	3,964	-	-
Shares issued through earn-out	59,328	3,511	240,674	14,049
Shares repurchased	(32,094)	(608)	-	-
Issued capital	11,812,650	225,540	11,607,391	213,277

Subsequent to the date of the statement of financial position, on December 1, 2023, the date of issuance of these consolidated financial statements, the Company declared a dividend of \$0.28 per common share payable on December 27, 2023.

Contributed Surplus

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

19. Share-Based Compensation

Employee Share Purchase Plan

Under the Company's Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of September 30, 2023, the Company can issue 366,052 shares.

During the year ended September 30, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 48,620 (35,147) shares at an average price of \$60.15 (\$60.50). The Company received \$2,307 (\$1,742) in proceeds and recorded an expense of \$597 (\$518).

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% (1,063,139) 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.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

19. Share-Based Compensation (continued)

As at September 30, 2023, the Company has 403,829 stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 659,310 additional stock options or RSUs pursuant to the plan.

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

The following assumptions were used to determine the fair value of the options granted in the year ended September 30, 2023:

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

	September 30, 2023		September 30, 2022	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
		\$		\$
Outstanding October 1	220,800	52.55	204,913	49.46
Exercised	(31,000)	30.75	(24,759)	40.48
Forfeited	(926)	60.43	-	-
Granted	23,542	60.43	40,646	58.96
Outstanding September 30	212,416	56.22	220,800	52.55

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

19. Share-Based Compensation (continued)

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 November 19, 2018	15,500	November 19, 2018	November 19, 2023	29.55	3.96
(2) Issued November 25, 2019	15,000	November 25, 2019	November 25, 2024	36.49	5.18
(3) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	60.30	8.44
(4) Issued November 24, 2020	22,222	November 24, 2020	November 24, 2025	61.16	10.24
(5) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	60.35	9.92
(6) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	58.90	10.66
(7) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	60.55	10.33
(8) Issued November 24, 2022	21,430	November 24, 2022	November 24, 2027	60.43	14.26
(9) Issued February 15, 2023	1,186	February 15, 2023	February 15, 2028	60.44	14.20

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

At September 30, 2023 (2022) the weighted average remaining contractual life of options outstanding is 1.92 (2.49) years of which 186,164 (188,301) options are exercisable at a weighted average price of \$55.71 (\$51.05). The Company has recorded \$339 (\$472) of share-based compensation expense in the year ended September 30, 2023 (2022) related to the options that have been granted. At September 30, 2023 (2022) the Company has total unrecognized compensation expense of \$67 (\$97) that will be recorded in the fiscal year.

Restricted Share Units:

Under the Company's restricted stock unit ("RSU") plan, the maximum number of common shares reserved for issuance is equal to 9% of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company. Share units may be awarded to any officer or employee of the Company. Each restricted share unit will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. At the discretion of the Board, the Company may issue one common share to participants for each whole vested share unit or a cash payment. The cash amount is equal to the number of vested share units to be redeemed multiplied by the value of the common shares otherwise issuable on redemption of the share units. Under the above RSU plan, the Company issued performance share units ("PSUs") which will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Vesting conditions for performance share units are tied to the Company's performance over time.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

19. Share-Based Compensation (continued)

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

	September 30, 2023		September 30, 2022	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
		\$		\$
Balance at October 1	56,517	49.09	40,824	46.65
Exercised	(29,311)	47.21	(20,983)	42.35
Forfeited	(24,425)	50.92	(525)	51.54
Granted	188,632	59.18	37,201	48.10
Outstanding September 30	191,413	59.18	56,517	49.09

Of the units issued in the current year under the RSU plan, \$Nil has vested as of September 30, 2023. The Company has recorded \$2,500 (\$1,457) of share-based compensation expense in the year ended September 30, 2023 (2022) related to the RSUs that have been granted. At September 30, 2023 (2022) the Company has total unrecognized compensation expense of \$965 (\$966) that will be recorded over the next two years.

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

RSU series:		Number of Units	Grant date	Vest through	Fair value at grant date
					\$
(1) Issued November 24, 2020	RSU	5,400	November 24, 2020	November 15, 2023	59.35
(2) Issued February 9, 2021	RSU	81	February 9, 2021	November 15, 2023	59.74
(3) Issued May 12, 2021	RSU	194	May 12, 2021	November 15, 2023	56.32
(4) Issued August 10, 2021	RSU	16	August 10, 2021	November 15, 2023	63.25
(5) Issued November 24, 2021	RSU	13,320	November 24, 2021	November 15, 2024	58.90
(6) Issued Feb 9, 2022	RSU	53	February 9, 2022	November 15, 2024	57.18
(7) Issued May 10, 2022	RSU	558	May 10, 2022	November 15, 2024	67.34
(8) Issued Aug 10, 2022	RSU	81	August 10, 2022	November 15, 2024	66.60
(9) Issued September 14, 2022	RSU	647	September 14, 2022	November 15, 2024	56.10
(10) Issued November 24, 2022	RSU	28,278	November 24, 2022	November 15, 2025	59.18
	PSU	142,785	November 24, 2022	November 15, 2025	59.18

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

19. Share-Based Compensation *(continued)*

Deferred Share Unit Plan

At September 30, 2023 (2022) the Company has 45,345 (17,640) Deferred Share Units ("DSU") outstanding, of which 20,723 (15,756) have vested, and the remainder will vest until August 2026. The Company recorded share-based compensation of \$1,113 (\$637) related to the DSUs in the year ended September 30, 2023 (2022). Each DSU entitles the participant to receive the value of one Common Share at the time of vesting. Vesting of the share units are based on service intervals or held until termination of service.

There are 20,723 (15,756) vested DSUs outstanding at September 30, 2023 (2022). The fair value of the DSUs outstanding at September 30, 2023 (2022) was \$45.70 (\$50.61) 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 year ended September 30, 2023 and 2022:

	Year ended	
	September 30, 2023	September 30, 2022
	\$	\$
Product revenue		
Advanced Technologies	106,298	93,038
Health	1	5
Learning	6,235	3,670
ITCS	44,741	62,542
Total product revenue	157,275	159,255
Service revenue		
Advanced Technologies	72,065	57,360
Health	184,855	167,136
Learning	99,957	87,998
ITCS	144,431	110,423
Total service revenue	501,308	422,917
Total revenue	658,583	582,172

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

20. Revenue *(continued)*

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

Revenues expected to be recognized in:

	September 30, 2023
	\$
Less than 24 months	540,340
Thereafter	17,640
Total	557,980

21. Net Profit per Share

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

	Year ended September 30	
	2023	2022
Weighted average number of common shares – basic	11,714,887	11,343,615
Additions to reflect the dilutive effect of employee stock options and RSU's	25,791	39,725
Weighted average number of common shares – diluted	11,740,678	11,383,340

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, 2023 (2022), 46,374 (40,646) options and 42,507 (3,776) RSUs were excluded from the above computation.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

22. Income Tax

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:

	2023	2022
	\$	\$
Profit before income taxes	29,961	24,159
Tax provision at the combined basic Canadian federal and provincial income tax rate of 26.5% (2022: 26.9%)	7,940	6,499
Increase (decrease) resulting from:		
Effect of expenses that are not deductible in determining taxable profits	1,601	1,865
Impact of rate reductions on valuation of deferred income tax assets	83	(1,230)
Other income not taxable in determining net profit	224	1,082
Tax expense relating to prior year	646	2,339
Impact of rate differences of foreign jurisdictions	582	-
Income tax expense	11,076	10,555

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

22. Income Tax (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, 2021	(2,646)	(14,463)	1,477	(453)	806	(15,279)
Current year acquisition	(360)	(1,450)	-	-	-	(1,810)
Recovery (expensed) to statement of net profit	(942)	5,237	(423)	-	(120)	3,752
Recovery (expensed) to other comprehensive income	-	-	-	1,867	-	1,867
Deferred tax liability at September 30, 2022	(3,948)	(10,676)	1,054	1,414	686	(11,470)
Current year acquisition	-	(502)	-	-	-	(502)
Recovery (expensed) to statement of net profit	(1,809)	2,478	(429)	-	1,603	1,843
Recovery (expensed) to other comprehensive income	-	-	-	(950)	15	(935)
Other	-	-	-	(365)	365	-
Deferred tax liability at September 30, 2023	(5,757)	(8,700)	625	99	2,669	(11,064)

The Company has tax losses \$4,933 (2022: \$Nil) that are available for offsetting against future taxable profits of the companies in which the losses arose. These losses start to expire in 2043.

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. The Company's segments are categorized as follows: Advanced Technologies, Health, Learning, and 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.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

23. Segmented Information (continued)

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

For the year ended September 30, 2023:

For the year ended September 30, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
\$	\$	\$	\$	\$	\$	\$
Revenue	178,363	184,856	106,192	189,172	-	658,583
Cost of revenues	118,476	136,172	79,240	120,483	-	454,371
Gross profit	59,887	48,684	26,952	68,689	-	204,212
Gross profit %	34%	26%	25%	36%	N/A%	31%
Selling and marketing	11,568	2,455	1,877	24,720	4,790	45,410
General and administration	12,887	12,034	5,466	20,075	30,901	81,363
Research and Development	7,156	812	3,049	435	-	11,452
Profit before under noted items	28,276	33,383	16,560	23,459	(35,691)	65,987
Profit before under noted items %	16%	18%	16%	12%	N/A%	10%
Depreciation of equipment, application software and R&D						9,043
Depreciation of right of use asset						4,501
Amortization of acquired intangibles						14,874
Other changes in fair value						(314)
Restructuring expense						2,618
Deemed compensation						550
Changes in fair value related to contingent earn-out						3,858
Profit before interest income and income tax expense						30,857
Lease obligations interest expense						531
Interest income						365
Profit before income tax expense						29,961
Income tax expense - current						12,919
Income tax recovery - deferred						(1,843)
Total income tax expense						11,076
NET PROFIT FOR THE PERIOD						18,885

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

23. Segmented Information (continued)

For the year ended September 30, 2022:

For the year ended September 30, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
\$	\$	\$	\$	\$	\$	\$
Revenue	150,398	167,141	91,668	172,965	-	582,172
Cost of revenues	107,063	125,590	68,397	111,896	-	412,946
Gross profit	43,335	41,551	23,271	61,069	-	169,226
Gross profit %	29%	25%	25%	35%	N/A%	29%
Selling and marketing	9,224	2,479	1,404	15,598	3,809	32,514
General and administration	9,211	10,341	4,984	15,218	25,654	65,408
Research and Development	4,243	397	-	732	-	5,372
Profit before under noted items	20,657	28,334	16,883	29,521	(29,463)	65,932
Profit before under noted items %	14%	17%	18%	17%	N/A%	11%
Depreciation of equipment, application software and R&D						6,974
Depreciation of right of use asset						3,629
Amortization of acquired intangibles						20,555
Deemed compensation						4,314
Changes in fair value related to contingent earn-out						5,555
Profit before interest income and income tax expense						24,905
Lease obligations interest expense						451
Interest expense						295
Profit before income tax expense						24,159
Income tax expense - current						14,307
Income tax recovery - deferred						(3,752)
Total income tax expense						10,555
NET PROFIT FOR THE PERIOD						13,604

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

23. Segmented Information *(continued)*

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

	September 30, 2023	September 30, 2022
Canada	71 %	71 %
United States	24 %	16 %
Europe	4 %	12 %
Other	1 %	1 %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various departments and agencies of the Canadian federal, provincial and municipal governments for the year ended September 30, 2023 (2022) represented 48% (47%) 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.

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

Foreign Currency Risk Related to Contracts

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

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

24. Financial Instruments and Risk Management *(continued)*

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

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

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

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

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

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

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value September 30, 2023
	\$			\$	\$
SELL	10,208	USD	October 2023	13,852	65
SELL	4,120	EURO	October 2023	5,918	90
Derivative assets					155
BUY	45,964	USD	October 2023	62,371	(292)
BUY	6,125	EURO	October 2023	8,798	(60)
Derivative liabilities					(353)

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

24. Financial Instruments and Risk Management *(continued)*

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

	September 30, 2023
	\$
USD	(2,613)
EURO	663
GBP	48
NOK	193
Total	(1,709)

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

	September 30, 2023
	\$
USD	3,221
GBP	1
EURO	330
Total	3,552

Credit Risk

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

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are diverse, however a significant portion of them are federal or provincial government agencies, or large private entities. A significant portion of the Company's accounts receivable is from long-time customers. At September 30, 2023 (2022), 33% (33%) of its accounts' receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not incurred any significant credit related losses.

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

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

24. Financial Instruments and Risk Management *(continued)*

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

	September 30, 2023	September 30, 2022
	\$	\$
Cash and cash equivalents	33,734	42,646
Accounts receivable	173,052	171,453
Derivative assets	155	123
Total	206,941	214,222

The aging of accounts receivable at the reporting date was:

	September 30, 2023	September 30, 2022
	\$	\$
Current	161,985	159,412
Past due (61-120 days)	7,905	6,378
Past due (> 120 days)	3,162	5,663
Total	173,052	171,453

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At September 30, 2023, the Company has a secured debt facility that matures on July 21, 2026 that allows the Company to draw up to \$180,000 CAD. As at September 30, 2023, the Company had \$33,734 cash on hand and \$37,750 was drawn on the facility for current operations and for temporary use through acquisitions, and \$Nil was drawn to issue letters of credit to meet customer contractual requirements.

Fair Value

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Investments are made in companies that do not have directly an observable market. These are fair valued when market participant data becomes available or if financings for the investments are completed. The fair value of contingent earn-out amounts has been determined by applying a discounted cash flow technique on the expected future value of a settlement amount along with Black-Scholes if applicable.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

24. Financial Instruments and Risk Management *(continued)*

	September 30, 2023		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash and cash equivalents	33,734	-	-
Investments	-	-	3,673
Derivative assets	-	155	-
Debt facility	-	(37,750)	-
Contingent earn-out	-	-	(13,798)
Derivative liabilities	-	(353)	-
Total	33,734	(37,948)	(10,125)

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

There were no transfers between Level 1, Level 2 and level 3 during the year ended September 30, 2023.

25. Acquisitions

During the year ended September 30, 2023, the Company renamed several of its wholly-owned subsidiaries for marketing initiatives. In the disclosure of Note 25 - Acquisitions, the Company will reference these subsidiaries by their acquired names. For reference, Allphase Clinical Research Services and Alio Health Services Inc (collectively as "Alio/Allphase") were renamed to Calian Research Organization and Calian Patient Support Program, respectively. Calian UK Cadence Consultancy Limited was renamed to Calian UK. Dapasoft Inc. was renamed to Calian Digital Solutions.

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

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

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(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 Alio/Allphase an additional \$3,616, \$4,192 and \$4,192 if Alio/Allphase attains specified levels of EBITDA for the years ending January 30, 2021, 2022, 2023, respectively. A portion of the first and second year earn out payable amounts is subject to the retention of the principal shareholders for a period of two years from the date of acquisition. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration of the purchase price and was expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period. The Company recorded deemed compensation expense of \$Nil (\$1,000) for the fiscal year ended September 30, 2023 (2022). In the 2021 fiscal year, the Company paid \$3,616 based on achievement of the first year EBITDA under the agreement. The second year concluded with full payment of \$4,192 in the year ended September 30, 2022 with full achievement of earn out target. It was forecasted in the prior fiscal year that the third and final year of earn out would be lower than the target amount, leading to a lower amount payable from the Company. As the earn out closed, achievement was higher than anticipated, which resulted in an adjustment to the contingent earn out payable in the amount of \$2,272 recognized in changes in fair value of contingent earn out in the year ended September 30, 2023. The third year concluded with payment of \$3,350 in the year ended September 30, 2023.

The Company recognized an additional \$59 of expense in the year ended September 30, 2023, related to changes in fair value of contingent earn out. All amounts are to be settled in the first quarter of 2024.

Tallysman Wireless Inc. ("Tallysman")

On September 3, 2020, the Company acquired all the outstanding shares of Tallysman for a purchase price of up to \$25,354. Of this amount, \$16,654 was paid in cash on the date of closing, and \$8,700 is payable contingently. Tallysman designs, manufactures and sells a very wide range of Global Navigation Satellite System, Iridium and Globalstar antennas and related products into a market with a broad range of vertical applications that include precision reference systems, survey, timing, precision agriculture, unmanned and autonomous vehicles, marine and many more. The company also produces cloud based wireless tracking systems over two-way radio systems and 4G category M cellular systems, for applications ranging from school buses to municipal public works. Tallysman is reported as part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Tallysman an additional \$3,950 and \$4,750 if Tallysman attains specific levels of EBITDA for the years ending August 31, 2021 and December 31, 2022, respectively. The first year target was achieved and paid in the prior fiscal year.

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

Cadence Consultancy Limited ("Cadence")

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

Calian Group Ltd.

Notes to the consolidated financial statements

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

Dapasoft Inc. (“Dapasoft”)

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

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

The Company recognized \$429 in the year ended September 30, 2023, related to changes in fair value of contingent earn out. All amounts are settled and paid as at September 30, 2023.

Calian Group Ltd.

Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

25. Acquisitions (continued)

SimFront Simulation Systems Corporation (“SimFront”)

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

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

The Company recognized \$554 in the year ended September 30, 2023 related to changes in fair value of contingent earn out.

Hawaii Pacific Teleport (“HPT”)

On August 1, 2023, the Company acquired the outstanding shares of HPT, for total cash consideration of up to \$50,393 USD (\$66,978 CAD) of which, \$28,474 USD (\$37,845 CAD) was paid in cash on the date of closing, \$681 USD (\$905 CAD) is estimated owing back to Calian for the settlement of net working capital, \$3,500 USD (\$4,562 CAD) was placed in escrow, \$3,000 USD (\$3,964 CAD) was paid through the issuance of common shares and \$16,100 USD (\$21,399 CAD) is payable contingently, of which \$8,905 USD (\$11,835 CAD) is included in the purchase price. The difference between the amount payable contingently that is included in the purchase price to the total potential liability is due to some amounts being considered deemed compensation and likelihood of achievement of earn out amounts. HPT operates as a US-based provider of independent teleport and satellite communications solutions. HPT has service locations across the Hawaiian Islands and Guam, and HPT provides connectivity through the Asia Pacific region. HPT is reported as part of the Advanced Technologies operating segment. The Company uses the multi-period excess earnings method to value acquired intangible assets, including the customer relationships. This method calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life and isolates the cash flows attributable to the customer relationships by utilizing a forecast of expected cash flows for existing customers alone. The valuation involves significant estimation uncertainty, including assumptions relating to forecasted revenues and forecasted earnings before interest and tax (“EBIT”) margins attributable to the customer relationships, customer attrition rate, and discount rate.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of HPT an additional \$8,050 USD (\$10,699 CAD) and \$8,050 USD (\$10,699 CAD) if HPT attains specific levels of EBITDA for the years ended July 31, 2024 and July 31, 2025, respectively. \$3,816 USD (\$5,072 CAD) 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 \$403 for the fiscal year ended September 30, 2023.

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

25. Acquisitions (continued)

Hawaii Pacific Teleport	Assets Acquired	Goodwill and Intangibles Accounting	Total Assets Acquired
	\$	\$	\$
Cash	688	-	688
Accounts receivable and tax receivable	2,086	-	2,086
Prepaid expenses	7	-	7
	2,781	-	2,781
Equipment and application software	9,217	-	9,217
Right of use asset	20,128	-	20,128
Other assets	399	-	399
Acquired intangible assets	-	32,624	32,624
Goodwill	-	12,916	12,916
	32,525	45,540	78,065
Accounts payable and accrued liabilities	1,208	-	1,208
Lease obligation	20,021	-	20,021
Unearned contract revenue	877	-	877
Other liabilities	864	-	864
Deferred tax liability	-	502	502
	22,970	502	23,472
Net purchase price			54,593
Discount on contingent consideration			2,798
Total purchase price			57,391

Cash consideration paid for the acquisition activity during the period ended September 30, 2023:

	HPT
	\$
Consideration paid in cash	42,497
Less- cash balance acquired	(688)
	41,809

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(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, 2023:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
	\$	\$	\$	\$	\$	\$
Alio/Allphase	1,860	-	(3,350)	59	2,272	841
Tallysman Wireless	5,411	-	(5,613)	102	100	-
Cadence	75	-	(287)	165	47	-
Dapasoft	15,758	-	(16,187)	429	-	-
SimFront	5,446	-	(2,760)	554	-	3,240
HPT	-	9,037	-	277	403	9,717
Total	28,550	9,037	(28,197)	1,586	2,822	13,798

As at September 30, 2023, the total gross value of all contingent consideration outstanding is \$25,007. Included in the adjustments column in the table are amounts from deemed compensation, along with changes in estimated payment amounts to make under contingent earn out estimates.

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

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
	\$	\$	\$	\$	\$	\$
Alio/Allphase	6,941	-	(4,192)	472	(1,361)	1,860
Comprehensive Training Solutions	749	-	(1,102)	52	301	-
Tallysman Wireless	8,104	-	(4,142)	493	956	5,411
Cadence	1,417	-	(776)	94	(660)	75
InterTronic	3,228	-	-	215	(3,443)	-
Dapasoft	17,823	-	(14,283)	1,173	11,045	15,758
SimFront	-	4,914	-	532	-	5,446
Total	38,262	4,914	(24,495)	3,031	6,838	28,550

Calian Group Ltd. Notes to the consolidated financial statements

For the years ended September 30, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

27. Related Party Transactions

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. This amount incorporated the named executive officers of the Company.

	2023	2022
	\$	\$
Compensation and short-term benefits	3,249	3,448
Share-based payments	2,386	1,306
	5,634	4,754

28. Subsequent Events

In November 2023, the Company entered into a definitive agreement to acquire all outstanding shares of Decisive Group Inc. ("Decisive"), an IT infrastructure and cyber security services business, for total cash consideration of approximately \$50,000, including earnouts of up to \$24,725 based on the achievement of certain levels of EBITDA performance over the next 12 months. This transaction was completed on December 1, 2023. Decisive will be reported as part of the ITCS operating segment.

Corporate Information

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

Dated December 1, 2023

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Board of Directors

George Weber

Chair of the Board
Corporate Director, ICD.D

Ray Basler

Corporate Director, CPA, CA

Kevin Ford

CEO, Calian Group Ltd

Lori O'Neill

Corporate Director, FCPA, FCA, ICD.D, CPA

Young Park

Corporate Director, ICD.D

Jo-Anne Poirier

President and CEO, VON Canada, ICD.D

Ronald Richardson

Corporate Director, P. ENG., ICD.D

Valerie Sorbie

Partner and Managing Director, Gibraltar & Company

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.

Transfer Agent

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