MDA LTD.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In millions of Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MDA Ltd.

Opinion

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

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(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 December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years 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 December 31, 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 total estimated costs to complete contracts for revenue recognition

Description of the matter

We draw attention to notes 2(c), 3(c), and 6 to the financial statements. The Entity recorded revenue from contracts with customers for the year ended December 31, 2023 of $807.6 million. The Entity recognizes revenues from fixed-price contracts and cost-plus contracts with ceilings using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs.

Estimating total costs requires judgments to be made around items including, but not limited to, labour productivity, complexity and scope of work to be performed, cost of materials, the length of time to complete the work, and execution by subcontractors.

Why the matter is a key audit matter

We identified the evaluation of total estimated costs to complete contracts for revenue recognition as a key audit matter. This matter represented an area of significant risk of material misstatement due to the magnitude of the balance and the high degree of subjectivity and estimation uncertainty in determining the total estimated costs to be incurred for each performance obligation. Significant auditor judgment was required in evaluating the results of our audit procedures.

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 review of total expected costs to complete contracts for revenue recognition. These controls included management review controls over the budgeting and monitoring of costs to complete.

We compared the Entity's original and prior period estimate of total costs to be incurred to the actual costs incurred for completed contracts to assess the Entity's ability to accurately estimate costs.

For a selection of revenue contracts, we interviewed operational personnel of the Entity in charge of the project about the project status to evaluate progress to date and inspected source documentation such as contracts, change orders, correspondences and underlying records to assess the total expected costs by performance obligation with respect to the contract.

For a selection of revenue contracts, we evaluated the total expected costs to be incurred on the remaining performance obligations by comparing the costs incurred subsequent to year-end to the total expected costs.

Evaluation of the impairment assessment of goodwill

Description of the matter

We draw attention to Notes 2(c), 3(k), 3(l), and 15 to the financial statements. The Entity has goodwill of $439.8 million which is allocated to its cash generating units. Impairment testing of goodwill is performed at least annually, as at December 31, and is conducted at the level of the minimum grouping of cash generating units to which goodwill relates.

When an impairment test is performed, the recoverable amount of each cash generating unit is assessed by reference to the higher of i) the value-in-use and ii) the fair value less costs of disposal. The value in use of cash generating units at which goodwill and intangible assets are tested for impairment has been estimated using the forecasts prepared by the Entity for the next five years. In preparing the forecasts, the Entity uses significant assumptions about revenue growth, earnings before interest, taxes, depreciation and amortization, the discount rate and terminal growth rate.

Why the matter is a key audit matter

We identified the evaluation of the impairment assessment of goodwill as a key audit matter. This matter represents a significant risk of material misstatement given the magnitude of the asset value and the high degree of estimation uncertainty in assessing the Entity's significant assumptions. As a result, significant auditor judgment and the involvement of professionals with specialized skill and knowledge was required in evaluating the results of our audit procedures for each of the Entity's cash generating units.

How the matter was addressed in our audit

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

For each of the Entity's cash generating units,

We compared the expected revenue growth and earnings before interest, taxes, depreciation and amortization assumptions to the actual historical revenue growth and earnings before interest, taxes, depreciation and amortization of the cash generating units to assess the Entity's ability to accurately predict these cash flow assumptions. We compared the revenue growth assumptions to existing firm contracts on a sample basis.

We considered changes in conditions and events to assess the assumptions made in arriving at the expected future revenue estimates.

We evaluated the terminal growth rate assumptions by comparing to published reports of industry analysts.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discounted cash flow methodology adopted by the Entity to determine the value-in-use amounts used in the determination of the recoverable amounts and evaluating the appropriateness of the discount rate assumptions by comparing to discount rate ranges that were independently developed using publicly available market data including available data for comparable entities.

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 auditor's report thereon, included in a document likely to be entitled "Glossy Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit 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 as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Tammy L. Brown.

Vaughan, Canada

February 27, 2024

MDA Ltd.
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2023 and 2022
(In millions of Canadian dollars except per share figures)

Years ended	Note	December 31, 2023	December 31, 2022
Revenue	6	$ 807.6	$ 641.2
Cost of revenue			
Materials, labour and subcontractors	8	(532.0)	(389.1)
Depreciation and amortization of assets	12,13,14	(31.6)	(23.7)
Gross profit		**244.0**	**228.4**
Operating expenses			
Selling, general and administration	8	(70.7)	(60.0)
Research and development, net	8	(39.3)	(32.8)
Amortization of intangible assets	14	(46.5)	(52.5)
Share-based compensation	19	(10.0)	(8.5)
Operating income		**77.5**	**74.6**
Other income (expenses)			
Unrealized loss on financial instruments		(0.8)	(9.9)
Foreign exchange gain (loss)		(2.8)	3.7
Finance income	17	2.0	0.4
Finance costs	17	(8.6)	(34.6)
Income before taxes		**67.3**	**34.2**
Income tax expense	23	(18.5)	(7.9)
Net income		**48.8**	**26.3**
Other comprehensive income			
Gain (loss) on translation of foreign operations		(0.2)	0.5
Gain (loss) on cash flow hedges (net of tax recovery of $0.9 in 2023 and tax expense of $0.6 in 2022)	23(b)	(2.5)	1.4
Remeasurement gain on defined benefit plans (net of tax expense of $2.6 in 2023 and $1.3 in 2022)	23(b)	7.2	3.7
Total comprehensive income		**$ 53.3**	**$ 31.9**
Earnings per share:			
Basic	24	$ 0.41	$ 0.22
Diluted	24	0.40	0.21
Weighted-average common shares outstanding:			
Basic	24	119,253,279	119,011,468
Diluted	24	121,176,848	122,451,142

The accompanying notes are an integral part of these consolidated financial statements

MDA Ltd.
Consolidated Statement of Financial Position
December 31, 2023 and 2022
(In millions of Canadian dollars)

As at	Note	December 31, 2023	December 31, 2022
Assets			
Current assets:			
Cash		$ 22.5	$ 39.3
Trade and other receivables	9	169.5	155.5
Unbilled receivables	10	183.1	121.0
Inventories		9.9	7.5
Income taxes receivable	25(a)	47.3	35.1
Other current assets	11	24.3	19.8
		456.6	**378.2**
Non-current assets:			
Property, plant and equipment	12	369.1	235.1
Right-of-use assets	13	71.8	7.1
Intangible assets	14	582.5	552.4
Goodwill		439.8	419.9
Deferred income tax assets		14.9	19.1
Other non-current assets	11	227.0	139.0
Total assets		**$ 2,161.7**	**$ 1,750.8**
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 219.1	$ 124.3
Income taxes payable		4.4	11.9
Contract liabilities		76.9	110.8
Current portion of net employee benefit payable		57.4	54.1
Current portion of lease liabilities	13	10.9	6.7
Other current liabilities		4.5	10.8
		373.2	**318.6**
Non-current liabilities:			
Net employee defined benefit payable		22.8	21.5
Lease liabilities	13	75.2	1.6
Long-term debt	16	438.9	243.6
Deferred income tax liabilities		180.8	163.8
Other non-current liabilities		6.1	1.1
Total liabilities		**1,097.0**	**750.2**
Shareholders' equity			
Common shares		956.1	951.6
Contributed surplus		31.3	25.0
Accumulated other comprehensive income		18.6	14.1
Retained earnings		58.7	9.9
Total equity		**1,064.7**	**1,000.6**
Total liabilities and equity		**$ 2,161.7**	**$ 1,750.8**

The accompanying notes are an integral part of these consolidated financial statements

MDA Ltd.
Consolidated Statement of Changes in Shareholders' Equity
For the years ended December 31, 2023 and 2022
(In millions of Canadian dollars)

	Note	Common Shares Number	Common Shares Amount	Contributed Surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total shareholders' equity
As at January 1, 2023		119,014,233	$ 951.6	$ 25.0	$ 14.1	$ 9.9	$ 1,000.6
Share-based awards exercised	19	500,686	4.5	(3.7)	—	—	0.8
Net income		—	—	—	—	48.8	48.8
Other comprehensive income		—	—	—	4.5	—	4.5
Share-based compensation	19	—	—	10.0	—	—	10.0
As at December 31, 2023		119,514,919	**$ 956.1**	**$ 31.3**	**$ 18.6**	**$ 58.7**	**$ 1,064.7**
As at January 1, 2022		118,691,628	$ 950.7	$ 16.9	$ 8.5	$ (14.4)	$ 961.7
Impact of change in accounting policy		—	—	—	—	(2.0)	(2.0)
Share-based awards exercised	19	322,605	0.9	(0.4)	—	—	0.5
Net income		—	—	—	—	26.3	26.3
Other comprehensive income		—	—	—	5.6	—	5.6
Share-based compensation	19	—	—	8.5	—	—	8.5
As at December 31, 2022		119,014,233	**$ 951.6**	**$ 25.0**	**$ 14.1**	**$ 9.9**	**$ 1,000.6**

The accompanying notes are an integral part of these consolidated financial statements

MDA Ltd.
Consolidated Statement of Cash Flows
For the years ended December 31, 2023 and 2022
(In millions of Canadian dollars)

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from operating activities			
Net income		$ 48.8	$ 26.3
Items not affecting cash:			
Income tax expense		18.5	7.9
Depreciation of property, plant, and equipment	12	13.1	9.9
Depreciation of right-of-use assets	13	9.6	8.1
Amortization of intangible assets	14	55.4	58.2
Write-down of assets		4.8	—
Share-based compensation expense	19	10.0	8.5
Investment tax credits accrued	25(a)	(33.3)	(54.5)
Finance costs, net		6.6	34.2
Unrealized loss on financial instruments		0.8	9.9
Changes in operating assets and liabilities	26	(95.6)	(26.7)
		38.7	**81.8**
Interest paid		(18.5)	(19.6)
Income tax paid		(6.7)	(5.2)
Net cash generated in operating activities		**13.5**	**57.0**
Cash flows from investing activities			
Purchases of property and equipment		(148.0)	(137.8)
Purchases/development of intangible assets		(45.2)	(42.3)
Acquisition of subsidiary, net of cash	5	(24.4)	
Net cash used in investing activities		**(217.6)**	**(180.1)**
Cash flows from financing activities			
Repayments of second lien notes	16	—	(150.0)
Borrowings from senior credit facility	16	195.0	245.0
Transaction costs incurred on debt refinancing	16	—	(8.9)
Payment of lease liability (principal portion)		(8.4)	(7.8)
Proceeds from stock options exercised		0.8	0.5
Net cash provided by financing activities		**187.4**	**78.8**
Net decrease in cash		**(16.7)**	**(44.3)**
Net foreign exchange difference on cash		(0.1)	—
Cash, beginning of period		39.3	83.6
Cash, end of year		**$ 22.5**	**$ 39.3**

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of operations

MDA Ltd. and its subsidiaries (collectively “MDA” or the “Company”) design, manufacture, and service space robotics, satellite systems and components, and intelligence systems. MDA also provides geointelligence and earth observation solutions that incorporate data from the Company’s owned and operated satellite, RADARSAT-2, as well as third party satellite missions. MDA operates across three business areas: Geointelligence, Robotics & Space Operations, and Satellite Systems, with facilities and sites in Canada, United Kingdom, and United States. The Company collaborates and partners with government agencies, prime contractors and emerging space companies. Notable MDA programs include the Canadarm family of space robotics for the U.S. Space Shuttle program and the International Space Station and three generations of RADARSAT Earth observation satellites for the Canadian Government.

MDA Ltd. is incorporated and domiciled in Canada, with its head office located at 9445 Airport Road, Brampton, Ontario L6S4J3, Canada. MDA’s common shares are traded on the Toronto Stock Exchange under the symbol “MDA”.

MDA Ltd. was incorporated pursuant to a series of legal entity restructuring. On April 8, 2020, Neptune Acquisition Inc. (“NAI”), an affiliate of Northern Private Capital Ltd. purchased 100% of the equity interest in MDA GP Holdings Ltd., MDA Systems Inc., and Maxar Technologies ULC from Maxar Technologies Inc. The consideration for this transaction was $1 billion. Immediately after closing, NAI amalgamated with Maxar Technologies ULC, and changed its name to Neptune Operations Ltd. (“NOL”). On June 2, 2020, Neptune Acquisition Holdings Inc. (“NAHI”) was formed under the laws of the Province of Ontario and became the parent of its wholly owned subsidiary NOL. In March 2021, NAHI changed its name to MDA Ltd.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were approved by the Board of Directors of MDA on February 27, 2024.

(b) Basis of measurement

The consolidated financial statements of the Company have been prepared on the historical cost basis except for pension plan assets and liabilities and the following assets and liabilities which are measured at fair value: financial instruments at fair value through profit or loss (“FVTPL”), derivative financial instruments, and initial recognition of assets acquired and liabilities assumed in a business combination. Pension plan assets and liabilities are recognized as the present value of the defined benefit obligation net of the fair value of the plan assets.

(c) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements included the following:

- *Revenue*: The Company recognizes revenues from fixed-price contracts and cost-plus contracts with ceilings using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs. On a monthly basis, the Company reviews the costs incurred to date and the estimated costs to complete for each project to determine whether the percentage of completion remains appropriate. Estimating total costs requires judgments to be made around items including, but not limited to, labour productivity, complexity and scope of work to be performed, cost of materials, the length of time to complete the work, and execution by subcontractors. This estimate directly affects revenue recognized in each reporting period as well as the balances of unbilled receivables and contract liabilities at the reporting date. Changes in estimates are recognized on a cumulative catch-up basis and could lead to reversals to revenues.

- *Impairment of non-financial assets:* The value in use ("VIU") of cash generating units at which goodwill and intangible assets are tested for impairment has been estimated using the forecasts prepared by management for the next five years. In preparing the forecasts, management uses significant assumptions about revenue growth, earnings before interest, taxes, depreciation and amortization, and terminal growth rate. These estimates are based on past experience and management's expectations of future changes in the market and planned growth initiatives. Actual results could vary from these estimated future cash flows which may cause significant adjustments to the assets in subsequent reporting periods. Estimation uncertainty in calculating the VIU also include the determination of appropriate discount rates.

- *Investment tax credits*: Investment tax credits, whether or not recognized in the consolidated financial statements, may be carried forward to reduce future Canadian Federal and Provincial income taxes payable. The Company applies judgment when determining whether the reasonable assurance threshold has been met to recognize investment tax credits in the consolidated financial statements. The Company must interpret eligibility requirements in accordance with Canadian income tax laws and must assess whether future taxable income will be available against which the investment tax credits can be utilized. For investment tax credits that have not met the criteria to be recognized in the consolidated financial statements, management continually reviews these interpretations and assessments and recognizes the investment tax credits relating to prior period expenses in the period when the reasonable assurance criteria have been met. Any changes in the interpretations and assessments could have an impact on the amount and timing of investment tax credits recognized in the consolidated financial statements.

- *Income taxes*: The calculation of current and deferred income taxes requires management to make certain judgments in interpreting tax rules and regulations. The application of judgment is also required to evaluate whether the Company can recover a deferred tax asset based on management's assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

3. Summary of material accounting policies

(a) Principles of consolidation

The consolidated financial statements comprise the accounts of the Company and entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries of the Company are wholly owned. The financial results of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intercompany balances and transactions are eliminated upon consolidation.

The table below lists the Company's most material subsidiaries for the years ended December 31, 2023 and 2022 based on revenues. The Company held 100% of the interest in all the subsidiaries listed below.

Entity	Country of incorporation
MacDonald, Dettwiler and Associates Inc.	Canada
MacDonald, Dettwiler and Associates Corporation	Canada
MDA Geospatial Services Inc.	Canada
MDA Systems Ltd.	Canada
MDA Space and Robotics Limited	United Kingdom
MDA Systems Inc.	US

(b) Translation of foreign operations and foreign currency transactions

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

(i) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in net income.

(ii) Foreign operations translation

Assets and liabilities of subsidiaries that have a functional currency other than Canadian dollars are translated into Canadian dollars at exchange rates in effect at the reporting date. Revenue and expenses are translated at the average exchange rates. The resulting translation adjustments are included in other comprehensive income ("OCI").

(c) Revenue recognition

The Company enters into contracts with customers to provide development of customized systems, construction of robotics and satellite components, satellite imagery data and related analyses, and maintenance and support services.

The Company accounts for a contract when enforceable rights and obligations between the Company and its customer are present, the contract has commercial substance, the rights of the parties and payment terms are identified, collectability of consideration is probable, and both parties have approved the contract. Two or more contracts with the same customer entered into at or near the same time are combined for revenue recognition accounting when the contracts are negotiated as a package with a single commercial objective or when the goods or services in the contracts are a single performance obligation.

A performance obligation is a promise in the contract to transfer a distinct good or service to the customer. The Company's contracts generally have a single performance obligation, as the promise to transfer the individual goods or services are not separately identifiable from each other and therefore are not distinct. An amendment made to an existing contract is accounted for in combination with the existing contract unless it adds goods or services distinct from the goods or services promised in the existing contract at stand alone selling prices.

Revenue is measured based on the consideration specified in the contract. The Company recognizes revenue as it fulfills its performance obligations by transferring control of the promised goods or services to the customer.

The Company's revenues are derived mainly from the following types of contracts:

- Revenues from fixed-price contracts and cost-plus contracts with ceilings are generally recognized over time using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs. These contracts generally consist of a single performance obligation due to the integrated nature of the goods or services. The consideration in these contracts include the stated contractual price and the expected variable amounts related to incentive payments and liquidated damages using either a probability-weighted average or a most likely estimate. Variable amounts are included in the consideration to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable amounts is subsequently resolved. The Company typically bills milestone payments to its customers under these types of contracts.

- Revenues from time and materials contracts are recognized over time as the Company incurs the labour hours and material costs at the contractual billing rates for each unit of labour and material incurred.

- Revenue from unit of delivery contracts are recognized at the point in time the Company delivers the product to the customer.

- Revenue from contracts whereby the Company stands ready to provide services are recognized on a straight-line basis over the enforceable term of the contract, as the Company's provides the access evenly over the period.

Contract costs include direct costs such as materials, labour, and subcontract costs as well as indirect costs such as overhead costs that relate directly to satisfying the performance obligations under the contract. Costs are expensed as incurred.

(d) Unbilled receivables and contract liabilities

Unbilled receivables represent the Company's right to consideration for goods or services transferred to the customer but not billed at the reporting date. Unbilled receivables are transferred to trade receivables when the rights to the amounts become unconditional. This usually occurs when the Company issues an invoice to the customer. Unbilled receivables are adjusted for expected credit losses.

Contract liabilities relate to advance consideration received from customers in excess of revenue recognized under the contract.

(e) Cash

Cash consist of cash on hand and deposits held with banks.

(f) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any amounts incurred in constructing and testing the asset as well as any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation expense is recognized on a straight-line basis over the estimated useful life of the related asset to its residual value. Expected useful lives and depreciation methods are reviewed annually.

The estimated useful lives of the Company's various classes of property, plant and equipment are as follows:

	Estimated useful life
Buildings	50 years
Building improvements	10 to 12 years
Leasehold improvements	Lesser of useful life or lease term
Equipment	2 to 12 years
Furniture and fixtures	2 to 10 years
Computer hardware	3 to 5 years

(g) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes right-of-use assets and lease liabilities for all leases, except for leases of low-value assets and short-term leases with a term of 12 months or less. The Company recognizes the lease payments associated with low-value and short-term leases as an expense on a straight-line basis over the lease term.

(i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease and initially measured at cost, which is comprised of the amount of the initial lease liability recognized less any incentives received from the lessor. The initial cost also includes any initial direct costs incurred, lease payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the Company's incremental discount rate. The lease term includes all contractual non-cancellable periods of the lease plus periods covered by an option to renew if the Company is reasonably certain to exercise that option. The lease term includes the periods covered up to an option to terminate the lease if the Company is reasonably certain to exercise that option.

Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. If applicable, the lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The Company also has certain leases which include payments that do not relate to the transfer of goods or services by the lessor to the Company (e.g. cleaning the common areas of a building, fees or other administrative costs) and are considered non-lease components. These amounts are not included in lease payments.

Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in the lease term, change in the future lease payments resulting from a change in an index or rate, or a change in the assessment of an option to purchase the underlying asset.

(h) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

Amortization is calculated over the estimated useful lives of the assets on a straight-line basis as follows:

Intangible asset	Estimated useful life
Proprietary technologies	3 to 20 years
Customer relationships	13 to 18 years
Contractual backlog	2 to 4 years
Software	3 to 10 years
MDA trademark	20 years

Amortization methods and useful lives are reviewed annually.

(i) Capitalized interest

Interest expense is capitalized on qualifying assets. Qualifying assets are assets that take a substantial period of time to prepare for their intended use and include property, plant and equipment in construction and intangible assets in development. Capitalized interest is a component of the cost of the qualifying asset. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to those borrowings. Capitalization ceases when the asset is substantially complete or if active construction or development ceases.

(j) Research and development

Research costs are expensed as incurred. Development costs are also expensed as incurred unless they meet all of the capitalization criteria established in IAS 38, *Intangible Assets*. Amortization of capitalized development costs commences when the asset is available for use.

(k) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any.

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquiree at the acquisition date.

(l) Impairment of non-financial assets

At each reporting date, the Company assesses for any indication of impairment of its property, plant and equipment, intangible assets, right-of-use assets and goodwill. If any indication exists, the Company tests the assets for impairment. Impairment testing of goodwill is performed at least annually, at December 31, regardless of any indications of impairment.

Impairment testing is conducted at the level of the asset, a cash generating unit (“CGU”) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment testing of goodwill is conducted at the level of the minimum grouping of CGUs to which goodwill relates.

The Company tests for impairment by comparing the carrying amount of an asset, CGU or group of CGUs to its recoverable amount. The recoverable amount of each CGU is assessed by reference to the higher of i) the VIU and ii) the fair value less costs of disposal (“FVLCD”). If the carrying amount exceeds the recoverable amount, an impairment loss in the amount of the excess is recognized in the consolidated statement of comprehensive income (loss). Impairment losses are first allocated to reduce the carrying amount of any goodwill related to the CGU or group of CGUs, the remaining amount of an impairment loss is allocated pro rata to other assets in the CGU or group of CGUs, without reducing the carrying amount of the assets below the highest of their FVLCD, their VIU, and zero.

Except for goodwill, any reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income (loss). A reversal of an impairment loss for a CGU or group of CGUs is allocated pro rata to the assets of the CGU or group of CGUs. The recoverable amount of an asset increased by reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation and amortization to date, if no impairment loss had been recognized for the asset in prior years.

(m) Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed are recognized in the consolidated statement of financial position at their respective acquisition-date fair values. The results of operations after the date of acquisition are included in the consolidated statement of comprehensive income (loss). Acquisition-related costs are expensed as incurred.

(n) Provisions

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation.

Provisions for estimated contract losses are recognized as an onerous contract provision in the period in which the loss is determined. Contract losses are measured at the amount by which the estimated costs of fulfilling the contract exceed the estimated total revenue from the contract. When measuring onerous contract provisions, estimated costs of fulfilling the contract include both incremental costs and an allocation of costs directly related to contract activities.

(o) Employee benefits

(i) Defined benefit pension plans and other post-retirement benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The defined benefit obligations are actuarially determined for each plan using the projected unit credit method, which takes into account the expected salary increases as the basis for future benefit increases for the pension plans. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Actuarial assumptions for discount rates, expected salary increases and the projected age of employees upon retirement reflect historical experience and the Company's assessment of future expectations.

When the calculation results in a benefit to the Company, the employee benefit asset recognized is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. Minimum funding requirements may give rise to an additional liability to the extent that they require the Company to pay contributions to cover an existing shortfall in that particular plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities. The fair value of plan assets is based on market price information.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense is recognized as a component of finance costs. The Company recognizes service cost and administrative expenses relating to defined benefit plans as a component of cost of revenue and selling, general and administration expense. Actuarial gains and losses from experience adjustments, changes in actuarial assumptions, return on plan assets (excluding amounts included in net interest expense) and effect of any asset ceilings (excluding interest) are recognized in other comprehensive income in the period in which they arise.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the net benefit liability that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statement of comprehensive income (loss).

(ii) Defined contribution pension plans

The Company maintains defined contribution plans for some of its employees whereby the Company pays contributions based on a percentage of the employees' annual salary. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the consolidated statement of comprehensive income (loss) as the services are provided.

(iii) Termination benefits

Termination benefits are expensed when the Company has demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are expensed if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(p) Income taxes

Income tax expense is comprised of current and deferred tax. An income tax expense is recognized in income except to the extent that it relates to items recognized in OCI or equity, in which case it is recognized in OCI or equity, respectively.

Current tax is the expected tax payable to or receivable from tax authorities on the taxable income or loss reflected in the consolidated statement of comprehensive income (loss) for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable consolidated statement of comprehensive income (loss). In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reserves are made to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company recognizes uncertain tax positions when the Company believes that it is probable that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The Company makes adjustments to these recognized uncertain tax positions when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of adjustments for uncertain tax positions, as well as any related interest and penalties.

(q) Government assistance

The Company’s government assistance includes funding from government bodies to support the Company’s research and development (“R&D”) activities and to acquire or develop assets and investment tax credits (“ITCs”).

Government grants are recognized net of the related costs they are intended to compensate on a systematic basis over the periods that the related costs are expensed. Government grants related to the acquisition of assets are recognized as a reduction of the cost of the related asset.

If government assistance becomes repayable, the inception to date impact of assistance previously recognized in the consolidated statement of comprehensive income (loss) is reversed immediately in the period that the assistance becomes repayable.

ITCs expected to be recovered beyond 12 months are classified as non-current assets. ITCs are deemed to be equivalent to government assistance. This government assistance is claimed for eligible costs incurred in R&D projects.

(r) Share-based compensation

In 2021, the Company established an Omnibus Long-term Incentive Plan (“Omnibus Plan”). The Omnibus Plan is a share-based plan, under which the Company receives services from directors and employees as consideration for equity instruments of the Company. The Company can issue stock options, deferred share units (“DSUs”), restricted share units (“RSUs”), and performance share units (“PSUs”) pursuant to the terms and conditions of the Omnibus Plan and the related award agreements entered into thereunder.

The Company also has in place an Employee Share Trust Agreement arrangement, where eligible employees are issued shares held in a company trust (“Trustee Shares”) and released upon meeting prescribed conditions.

All of the Company’s share-based awards are equity-settled and are measured based on the grant date fair value without subsequent remeasurement. Non-market vesting conditions are included in assumptions about the number of equity awards that are expected to vest. The grant date fair value of each award, net of estimated forfeitures, is recognized as an expense on a graded basis over the respective vesting period with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Incremental fair value as a result of a modification that is beneficial to the employee is recognized over the remaining vesting period. Upon settlement of share-based awards, the amount recognized in contributed surplus for the award plus any cash received upon settlement is recognized as an increase in share capital.

(s) Share capital

Common shares are classified as equity. Issuance costs directly attributable to the issuance of the shares are recognized as a deduction from equity, net of income tax effects.

(t) Financial instruments

(i) Initial recognition, classification, and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are initially measured at fair value. Financial instruments are subsequently measured based on their classification as follows:

- Financial instruments measured at amortized cost;
- Financial instruments measured at FVTPL;
- Financial instruments measured at fair value through other comprehensive income ("FVOCI").

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognized immediately in acquisition, transaction and integration costs on the consolidated statement of comprehensive income (loss).

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires. Where a legally enforceable right to offset exists for recognized financial assets and financial liabilities and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, such related financial assets and financial liabilities are offset.

On initial recognition, the Company classifies financial assets as measured at amortized cost when both of the following conditions are met:

- 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.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment.

Financial assets are classified as held for trading if they are managed with the objective of realising cash flows through the sale. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income (loss).

Financial assets at FVOCI include instruments such as equity investments the Company has irrevocably elected to classify at FVOCI and derivatives designated as effective hedging instruments

Financial liabilities are classified as financial liabilities at FVTPL or amortized cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition. Subsequent to initial recognition, financial liabilities at amortized cost are measured using the effective interest method with the accretion of interest recognized in finance costs. Financial liabilities at FVTPL are carried in the consolidated statement of financial position at fair value with net changes net changes in fair value recognized in the consolidated statement of comprehensive income (loss).

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Financial asset or liability	IFRS 9 classification and measurement
Cash	Amortized cost
Trade and other receivables	Amortized cost
Investments in equity securities	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Derivatives – no hedge accounting applied	FVTPL
Derivatives – hedge accounting applied	FVOCI

(ii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

A loss allowance is estimated from a review of the current and expected economic conditions and counterparty specific facts. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

(iii) Offsetting of financial assets and financial liabilities.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Company has an unconditional and legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Fair value

Financial assets and financial liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs reflecting the assumptions that market participants would use, and are based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.
- Level 2: Valuations based on quoted inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(u) Derivatives and hedge accounting

The Company enters into interest rate swap agreements to mitigate interest rate risk on long-term debt. The Company also from time to time enters into foreign exchange forward contracts to hedge a portion of exposure arising from expected foreign currency denominated cash flows. Hedge accounting is applied to those hedge relationships that are considered effective and designated by management. Management assesses the effectiveness of hedges by comparing actual outcomes against our estimates on a regular basis. Subsequent changes in cash flows arising from forecasted transactions, if significant, may result in the discontinuation of hedge accounting for that hedge. The Company does not enter into derivative contracts for speculative purposes.

At the inception of a hedging relationship, management formally documents the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy for undertaking the hedge. Management also assesses, both at inception of a hedge and at the end of each quarter, whether the derivatives used in hedged transactions are highly effective in offsetting changes in cash flows of the hedged items. For effective hedging relationships, fair value changes in the hedging instrument are recognized in other comprehensive income.

(v) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the net income (loss) for the period attributable to equity holders by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by dividing the net income (loss) attributable to equity holders by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued upon exercise of share-based compensation arrangements, to the extent they are considered dilutive.

4. Changes in accounting policies and accounting pronouncements:

(a) Adoption of Amendment to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The IASB issued amendments to IAS 12, Income taxes, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability need to be recognized for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has determined the impact of this amendment to be immaterial as at January 1, 2023.

(b) Forthcoming Amendment to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments to IAS 1, Presentation of Financial Statements, which are intended to clarify requirements for the classification of liabilities as non-current, become effective for the Company on January 1, 2024. The Company does not expect the amendments to have material impacts to its consolidated financial statements.

5. Acquisition

On October 31, 2023, the Company acquired 100% share of SatixFy Space Systems UK Ltd (“SSS”), the digital payload division of SatixFy Communications Ltd. (NYSE AMERICAN: SATX) to strengthen MDA’s global leadership position in the growing market for digital satellite communications solutions. The newly acquired division, based in the United Kingdom, will be integrated into MDA UK, the company’s existing UK subsidiary.

The consideration transferred consisted of $55.5 ($40.0 USD), including $4.2 ($3.0 USD) relating to the purchase of SSS shares and $51.3 ($37.0 USD) towards the assumption of SSS’s debt with SatixFy Communications Ltd. As at December 31, 2023, $25.0 ($18.0 USD) of the $55.5 ($40.0 USD) has been paid to the seller. A further $27.7 ($20.0 USD) is payable in 2024 through the repayment of notes payable on demand over 7 months and the remaining $2.8 ($2.0 USD) holdback will be released to the seller in 2025. There is no contingent consideration.

The Company incurred acquisition-related costs of $1.9 on legal and due diligence costs. These costs have been included in the selling, general and administrative costs in the consolidated statement of comprehensive income.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed, and goodwill arising from the acquisition at the date of acquisition.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

		Year ended December 31, 2023
Consideration transferred		$ 55.5
Less: Identifiable assets acquired and liabilities assumed		
Cash	$ 0.6	
Prepaid expenses and deposits	0.4	
Other receivables	1.3	
Property, plant and equipment	0.2	
Right-of-use asset	0.5	
Proprietary technology	47.6	
Accounts payable and accrued liabilities	(0.6)	
Employee benefit payable	(0.4)	
Contract liabilities	(1.5)	
Lease liabilities	(0.5)	
Deferred income tax liabilities	(12.0)	
		(35.6)
Goodwill		$ 19.9

The valuation technique used for measuring the proprietary technology intangible asset was the replacement cost method of the cost approach, taking into consideration related costs, developer's profit and any opportunity costs.

The goodwill generated is attributable mainly to the synergies expected to be achieved from integrating SSS into the Company's existing satellite systems business. The goodwill recognized is not expected to be deductible for tax purposes over time.

As a result of the inherent complexity associated with the valuation of net assets acquired, the determination of the fair value of assets and liabilities acquired for SSS are based upon preliminary estimates and assumptions. The Company will continue to review information prior to finalizing the fair value of the assets acquired and liabilities assumed. The actual fair value of the assets acquired and liabilities assumed may differ from the amounts noted above.

SSS generated nil revenue and net income of $0.7 from acquisition date for the year ended December 31, 2023.

The Company also has a total of $33.0 ($25.0 USD) towards the purchase of digital payload chips that is recognized as long-term prepaid expenses and advances to suppliers on the consolidated statement of financial position. These amounts have also been reflected in Note 11 below.

6. Revenue from contracts with customers

a. Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines are presented in the table below:

	Year ended December 31, 2023	Year ended December 31, 2022
Service Lines		
Geointelligence	$ 197.5	$ 195.3
Robotics and space operations	248.4	193.7
Satellite systems	361.7	252.2
	$ 807.6	$ 641.2

b. Revenue concentration

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

For the year ended December 31, 2023, there were 2 customers that individually comprised more than 10.0% of revenue and 56.5% in total. For the year ended December 31, 2022, there were 2 customers that individually comprised more than 10.0% of revenue and 45.4% in total.

c. Remaining performance obligations

As at December 31, 2023, the Company had remaining performance obligations of $$3,097.0 (December 31, 2022 – $1,378.2), which represents the transaction price of firm orders less inception to date revenue recognized. Remaining performance obligations exclude unexercised contract options and indefinite delivery or indefinite quantity contracts. The Company expects to recognize approximately 26% of its remaining performance obligations as revenue in 2024 and 20% in 2025 and the balance thereafter (December 31, 2022 – 50% in 2023, and 25% in 2024 and the balance thereafter).

d. Contract liabilities

Of the opening contract liabilities balance at January 1, 2023, $78.9 has been recognized as revenue in 2023 (2022 - $59.0).

7. Geographic information

Segmented information is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), and reflects the way the CODM evaluates performance of, and allocates resources within, the business. The Company operates substantially all of its activities in one reportable segment, which includes the Geointelligence, Robotics & Space Operations and Satellite Systems operating segments. The reportable segment earns revenue by providing space solutions to customers in a similar market and is managed by the CODM.

Revenues are attributed to geographical regions based on the location of customers as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Revenue		
Canada	$ 407.7	$ 298.6
United States	332.2	224.8
Europe	35.2	84.9
Asia and Middle East	20.1	30.1
Other	12.4	2.8
	$ 807.6	$ 641.2

The Company's property, plant and equipment, right-of-use assets, intangible assets and goodwill are attributed to geographical regions based on the location of the assets as follows:

	December 31, 2023	December 31, 2022
Canada	$ 1,394.0	$ 1,213.1
Other	69.2	1.4
	$ 1,463.2	$ 1,214.5

8. Cost of revenue and operating expenses

The following table shows the breakdown of materials, labour and subcontractors costs included in cost of revenue:

	Year ended December 31, 2023	Year ended December 31, 2022
Labour, materials and other	$ 373.9	$ 323.7
Subcontractors	190.4	119.9
Investment tax credits recognized	(32.3)	(54.5)
	$ 532.0	$ 389.1

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The following tables show the breakdowns of selling, general and administration expenses and research and development, net included in operating expenses:

	Year ended December 31, 2023	Year ended December 31, 2022
Selling, general and administration		
General and administration	$ 37.5	$ 34.9
Selling and marketing	33.2	25.1
	$ 70.7	$ 60.0
Research and development, net		
Research and development expense	$ 44.1	$ 36.1
Research and development expense recovery	(4.8)	(3.3)
	$ 39.3	$ 32.8

9. Trade and other receivables

	December 31, 2023	December 31, 2022
Trade receivables, gross	$ 144.1	$ 148.0
Other receivables, gross	31.1	13.3
Credit loss allowance	(5.7)	(5.8)
	$ 169.5	$ 155.5

Trade receivables are non-interest bearing, unless specifically agreed upon with the customer, and are generally on terms of 15 to 60 days.

10. Unbilled receivables

	December 31, 2023	December 31, 2022
Unbilled receivables, gross	$ 189.3	$ 124.8
Credit loss allowance	(6.2)	(3.8)
	$ 183.1	$ 121.0

11. Other assets

	Note	December 31, 2023	December 31, 2022
Prepaid expenses & Advances to suppliers		$ 100.2	$ 39.6
Investment tax credits receivable	25(a)	133.8	109.1
Investment in equity securities		2.1	2.7
Derivative financial assets		3.0	4.8
Pension plan assets		12.2	2.6
		$ 251.3	$ 158.8
Current portion		$ 24.3	$ 19.8
Non-current portion		$ 227.0	$ 139.0

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

12. Property, plant and equipment

	Land, buildings and leasehold improvements	Equipment	Furniture, fixtures and computer hardware	Capital in progress	Total
Cost					
As at January 1, 2023	$ 71.5	$ 16.1	$ 14.6	$ 156.4	$ 258.6
Additions from Acquisitions	0.1	—	0.1	—	0.2
Additions	11.4	2.4	4.5	129.5	147.8
Write-downs	—	—	—	(1.0)	(1.0)
Transfers	3.0	9.6	4.4	(16.9)	0.1
As at December 31, 2023	$ 86.0	$ 28.1	$ 23.6	$ 268.0	$ 405.7
Accumulated depreciation					
As at January 1, 2023	$ (8.4)	$ (8.1)	$ (7.0)	$ —	$ (23.5)
Depreciation expense	(4.6)	(3.6)	(4.9)	—	(13.1)
As at December 31, 2023	$ (13.0)	$ (11.7)	$ (11.9)	$ —	$ (36.6)
Net book value					
As at December 31, 2023	$ 73.0	$ 16.4	$ 11.7	$ 268.0	$ 369.1

	Land, buildings and leasehold improvements	Equipment	Furniture, fixtures and computer hardware	Capital in progress	Total
Cost					
As at January 1, 2022	$ 58.1	$ 13.4	$ 9.4	$ 42.6	$ 123.5
Additions	13.0	1.8	3.9	116.3	135.0
Transfers	0.4	0.9	1.3	(2.5)	0.1
As at December 31, 2022	$ 71.5	$ 16.1	$ 14.6	$ 156.4	$ 258.6
Accumulated depreciation					
As at January 1, 2022	$ (4.8)	$ (5.4)	$ (3.4)	$ —	$ (13.6)
Depreciation expense	(3.6)	(2.7)	(3.6)	—	(9.9)
As at December 31, 2022	$ (8.4)	$ (8.1)	$ (7.0)	$ —	$ (23.5)
Net book value					
As at December 31, 2022	$ 63.1	$ 8.0	$ 7.6	$ 156.4	$ 235.1

Depreciation expense included in cost of revenue for the year ended December 31, 2023 is $13.1 (December 31, 2022 – $9.9).

As at December 31, 2023, the Company recognized $1.0 of impairment under amortization and depreciation of assets on the consolidated statement of comprehensive income. (December 31, 2022 - nil, no indicators of impairment).

13. Leases

The Company has lease contracts for buildings, equipment, furniture and fixtures and computer hardware used in its operations. Leases of buildings generally have lease terms between 5 and 10 years, while equipment, furniture and fixtures and computer hardware generally have lease terms between 1 and 5 years. Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

	Buildings	Equipment	Furniture, fixtures and computer hardware	Total
As at January 1, 2023	$6.7	$ —	$ 0.4	$ 7.1
Additions from Acquisitions	0.5	—	—	0.5
Additions	71.3	2.5	—	73.8
Depreciation expense	(9.1)	(0.1)	(0.4)	(9.6)
As at December 31, 2023	$ 69.4	$ 2.4	$ —	$ 71.8

	Buildings	Furniture, fixtures and computer hardware	Total
As at January 1, 2022	$ 13.5	$ 1.3	$ 14.8
Additions	0.4	—	0.4
Depreciation expense	(7.2)	(0.9)	(8.1)
As at December 31, 2022	$ 6.7	$ 0.4	$ 7.1

The Company also has certain leases of small office and IT equipment such as laptops with lease terms of 12 months or less, some of which are also low value leases.

The following are the amounts recognized in profit or loss for the leases:

	2023	2022
Depreciation expense included in cost of revenue	$ 9.6	$ 8.1
Interest expense on lease liability	0.9	0.7
Expense relating to short-term lease	2.9	2.3
Expense relating to leases of low-value assets	2.1	0.8
	$ 15.5	$ 11.9

Set out below are the carrying amounts of lease liabilities and the movements:

	2023	2022
Opening	$ 8.3	$ 15.7
Additions	86.1	0.4
Accretion of interest	0.9	0.7
Payments	(9.2)	(8.5)
Ending	$ 86.1	$ 8.3
Current portion	$ 10.9	$ 6.7
Non-current portion	$ 75.2	$ 1.6

The Company had total cash outflows for leases of $14.3 in the current period (December 31, 2022 - $11.6).

The maturity analysis of lease liabilities is disclosed in note 20, financial instruments and fair value disclosures.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

14. Intangible assets

	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Software	Total
Cost						
As at January 1, 2023	$ 154.1	$ 41.2	$ 459.9	$ 25.6	$ 35.5	$ 716.3
Additions from acquisitions	47.6	—	—	—	—	47.6
Additions	30.8	—	—	—	10.9	41.7
Write downs	(3.8)	—	—	—	—	(3.8)
As at December 31, 2023	$ 228.7	$ 41.2	$ 459.9	$ 25.6	$ 46.4	$ 801.8
Accumulated amortization						
As at January 1, 2023	$ (23.3)	$ (35.5)	$ (89.1)	$ (3.5)	$ (12.5)	$ (163.9)
Amortization expense	(10.4)	(4.8)	(32.6)	(1.3)	(6.3)	(55.4)
As at December 31, 2023	$ (33.7)	$ (40.3)	$ (121.7)	$ (4.8)	$ (18.8)	$ (219.3)
Net book value						
As at December 31, 2023	$ 195.0	$ 0.9	$ 338.2	$ 20.8	$ 27.6	$ 582.5

	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Softwar e	Total
Cost						
As at January 1, 2022	$ 123.3	$ 41.2	$ 459.9	$ 25.6	$ 26.9	$ 676.9
Additions	30.8	—	—	—	8.7	39.5
Transfers	—	—	—	—	(0.1)	(0.1)
As at December 31, 2022	$ 154.1	$ 41.2	$ 459.9	$ 25.6	$ 35.5	$ 716.3
Accumulated amortization						
As at January 1, 2022	$ (14.7)	$ (24.9)	$ (56.4)	$ (2.4)	$ (7.3)	$ (105.7)
Amortization expense	(8.6)	(10.6)	(32.7)	(1.1)	(5.2)	(58.2)
As at December 31, 2022	$ (23.3)	$ (35.5)	$ (89.1)	$ (3.5)	$ (12.5)	$ (163.9)
Net book value						
As at December 31, 2022	$ 130.8	$ 5.7	$ 370.8	$ 22.1	$ 23.0	$ 552.4

For the year ended December 31, 2023, additions of proprietary technologies and software included $31.1 and $1.8 of development costs incurred on internally generated intangible assets, respectively (December 31, 2022 - $30.8 and $1.6). As at December 31, 2023, the assets are still under development, and therefore the amortization thereof has not commenced.

For the year ended December 31, 2023, the amortization expense related to software of $8.90 (December 31, 2022 – $5.7) are included in cost of revenue. For the year ended December 31, 2023, the amortization expense related to all other intangible assets of $46.5 (December 31, 2022 – $52.5) are included in operating expenses.

As at December 31, 2023, the Company recognized $3.8 of impairment under amortization and depreciation of assets on the consolidated statement of comprehensive income. (December 31, 2022 - nil, no indicators of impairment).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

15. Goodwill

The Company performed its annual goodwill impairment test as at December 31, 2023. Goodwill is monitored at the groups of CGUs level, which represents the lowest level within the Company for which information about goodwill is available and monitored for internal management purposes:

	December 31, 2023	December 31, 2022
Geointelligence	$ 285.9	$ 285.9
Robotics and Space Operations	25.1	25.1
Satellite Systems	128.8	108.9
	$ 439.8	$ 419.9

The addition of $19.9 goodwill in Satellite Systems is due to the acquisition of SSS as described in Note 5.

For each CGU, the recoverable amount was determined based on its value in use, calculated by discounting estimated future cash flows to their present value. Estimated cash flow projections are based on the Company's five-year strategic growth plan. Based on the impairment test performed, the recoverable amount of Geointelligence, Robotics and Space Operations and Satellite Systems were in excess of their carrying amounts. Accordingly, there is no impairment of the carrying value of goodwill.

The following key assumptions were used for the period in determining the recoverable amount for each CGU:

- Revenue and earnings before interest, taxes, depreciation and amortization over a five year forecast horizon are based on the expected timing of the Company's performance under enforceable contracts and anticipated future contracts, expected costs, as well as forecasted growth rate of the Company's recurring services and goods provided to its customers.
- Discount rates represent the current market assessment of the risks specific to each CGU taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rates are post-tax measures based on normalized weighted-average costs of capital. The discount rates used in determining recoverable amounts of each CGU at December 31, 2023 reflect each CGU's specific risks and market conditions and ranged from 11.5% to 15.5% (December 31, 2022 – 10.5% to 14.5%).
- Terminal growth rate represents the cash flows beyond the five years included in the cash flow forecast. Rates are based on market and industry trends researched and identified by management. A terminal growth rate of 2.5% was used in the value in use calculation at December 31, 2023 (December 31, 2022 – 2.5%).

Changes in the macro-environment since the acquisition of the CGUs in 2020 have contributed to increases in discount rates.

16. Long-term debt

As at December 31, 2023, the Company's long-term debt comprises borrowings of $440.0 (December 31, 2022 - $245.0) under the senior revolving credit facility in the form of Bankers' Acceptances, which is recorded at a carrying amount of $438.9 (December 31, 2022 - $243.6) on the consolidated statement of financial position.

(a) Senior revolving credit facility

On May 5, 2022, the Company, through its wholly owned subsidiary NOL, amended its senior revolving credit facility. The available capacity of the senior credit facility was increased from $428.3 to $600.0 and the reducing feature of the available credit was eliminated. The maturity date of the senior credit facility was extended from April 8, 2025 to May 4, 2027. Transaction costs incurred to refinance the credit facility totaled $1.4 and were recognized in 2022.

This facility bears interest at the bank's prime rate or alternate base rate Canada plus an applicable margin of 45 to 175 basis points ("bps") or CDOR or LIBOR plus an applicable margin of 145 to 275 bps, based on the Company's total debt to EBITDA ratio. At December 31, 2023, the weighted average interest rate on the outstanding Bankers' Acceptances was 7.18% (December 31, 2022 - 6.26%). The Company also had $13.3 letters of credit outstanding at December 31, 2023 (December 31, 2022 - $24.0), bearing an applicable margin of 97 bps plus a fronting fee of 25 bps.

The Company accounted for its May 5, 2022 refinancing of the senior credit facility as a substantial debt modification under IFRS 9, where the previously existing credit facility was extinguished from the consolidated statement of financial position. The new credit facility was recognized at its fair value on May 5, 2022 and subsequently measured at amortised cost. The accounting treatment for the substantial debt modification resulted in a net expense of $4.3 recognized in finance costs in the consolidated statement of comprehensive income in 2022.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(b) Redemption of second lien notes

Concurrent with the amendment of the senior credit facility, on May 5, 2022, the Company exercised its option to redeem all amounts outstanding under the second lien notes using excess cash and drawings under the senior revolving credit facility. On redemption, the Company paid in cash the principal amount of $150.0, and a redemption premium of $7.5 due on exercise of its early redemption rights. The redemption premium was recorded in finance costs in the consolidated statement of comprehensive income.

The redemption of the second lien notes resulted in an expense of $2.8 upon derecognizing the redemption option derivative that is described in note 20, and an expense of $5.1 upon writing off the unamortized deferred financing costs. Both expenses were recorded in finance costs in the consolidated statement of comprehensive income.

The second lien notes bore interest of 10% per annum in cash, or 12% paid in-kind (“PIK”) (6% cash, 6% in-kind). Interest was due semi-annually. The second lien notes would have matured on April 8, 2027, absent the early redemption thereof. All guarantees and securities under the second lien notes were released upon redemption.

All of the financial impacts arising from the redemption were recognized in 2022.

(c) Security and guarantees

The senior revolving credit facility is guaranteed by all subsidiaries of NOL (other than certain excluded subsidiaries, including immaterial subsidiaries and non-wholly owned subsidiaries) and secured by all of the present and future assets, property and undertakings of NOL and its subsidiary guarantors, as well as a limited recourse guarantee and pledge of NOL from the Company.

The second lien notes were guaranteed by the same guarantors as the senior revolving credit facility and secured by a second lien on the same collateral.

(d) Covenants

Under the senior revolving credit facility, the Company must satisfy certain financial covenants as defined by the credit agreement, including the following:

- The Company is required to maintain an interest coverage ratio of at least 3.0 to 1 at all times
- The Company is required to maintain a specified total debt to EBITDA ratio of less than or equal to 4.0 to 1 at all times

The Company was in compliance with these covenants at all times during the year ended December 31, 2023.

(e) Cash flows arising from long-term borrowings

The following table reconciles the changes in cash flows from financing activities for long-term borrowings:

	December 31, 2023	December 31, 2022
Opening	$ 243.6	$ 144.7
Issuance of debt, net of issuance costs	195.0	245.0
Principal repayments	—	(150.0)
Net effect from credit facilities modifications	—	3.4
Interest expense incurred on credit facilities	0.3	14.0
Interest paid on credit facilities	—	(13.5)
Closing	$ 438.9	$ 243.6
Current portion	$ —	$ —
Non-current portion	$ 438.9	$ 243.6

(f) Commitments related to long-term debt

The outstanding long-term debt principal as at December 31, 2023 relates entirely to the senior revolving credit facility. The Company has the discretion to roll over the principal in full to the facility’s maturity date in 2027.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

17. Finance income and costs

	Note	2023	2022
Interest on credit facilities[1]		$ 16.6	$ 11.6
Other interest and borrowing fees		0.9	4.1
Transaction costs on refinancing of senior revolving credit facility	15(a)	—	1.4
Effect of modification of senior credit facility	15(a)	—	4.3
Redemption premium on second lien notes	15(b)	—	7.5
Derecognition of redemption option derivative	15(b)	—	2.8
Write-off of unamortized deferred financing costs on second lien notes	15(b)	—	5.1
Capitalized interest[2]		(8.9)	(2.2)
		$ 8.6	$ 34.6

(1) Net interest accrual on interest rate swaps is presented as an adjustment to finance costs because the designated hedged item is an interest-bearing liability, which is further discussed in Note 20(c).

(2) Interest expense is capitalized on certain qualifying assets that take a substantial period of time to prepare for their intended use. Capitalized interest is a component of both property, plant and equipment and intangible assets. The capitalization rate used to capitalize interest is 5.52% (December 31, 2022 - 4.40%).

Finance income is interest earned on the cash balance in the bank.

18. Employee benefits

(a) Employee benefits liabilities

Employee benefit liabilities	December 31, 2023	December 31, 2022
Salary and benefits payable	52.4	47.8
Obligations under defined benefit pension plans and post-retirement benefit plans	23.7	22.5
Accrued liabilities for other retirement benefits	4.1	5.3
	$ 80.2	$ 75.6
Current	$ 57.4	$ 54.1
Non-current	$ 22.8	$ 21.5

Excluded from the pension plan liabilities as at December 31, 2023 are pension plan assets totalling $12.2 (December 31, 2022 – $2.6). Pension plan assets are recorded in other non-current assets as presented in note 11.

(b) Defined contribution pension plans

The Company maintains defined contribution pension plans and incurred $6.8 in expenses during the year (December 31, 2022 - $5.6).

(c) Defined benefit pension plans and post-retirement benefit plans

Defined benefit pension plans

The Company's defined benefit plans provide pension benefits based on various factors including earnings and length of service.

The plans are funded and the Company's funding requirements are based on each of the plans' actuarial measurement frameworks as established by the plan agreements or applicable laws. Employees are required to contribute to some of the funded plans. The total estimated employer contributions expected to be paid to the plans in the year ending December 31, 2024 are $2.1 (December 31, 2023 – $3.2).

The funded plan assets are legally separated from the Company and are held by an independent trustee. The trustee is responsible for ensuring that the funds are protected as per applicable laws.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Movement in net defined benefit liability for the year ended December 31, 2023 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2023	$ 99.0	$ (101.5)	$ (2.5)
Effect of asset ceiling in prior year in equity	—	(22.2)	(22.2)
Recognized in net income			
Current service cost	3.2	—	3.2
Past service cost	0.1	—	0.1
Administrative expenses	—	0.7	0.7
Interest cost (income)	5.2	(6.5)	(1.3)
	$ 8.5	$ (5.8)	$ 2.7
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	6.9	—	6.9
Experience adjustment	1.8	—	1.8
Return on plan assets excluding interest income	—	(12.5)	(12.5)
Administrative expenses paid from fund	—	0.3	0.3
	$ 8.7	$ (12.2)	$ (3.5)
Other			
Employer contributions	—	(3.1)	(3.1)
Plan participant contributions	1.6	(1.6)	—
Benefit payments	(5.9)	5.9	—
	$ (4.3)	$ 1.2	$ (3.1)
Effect of asset ceiling in equity	—	16.7	16.7
Defined benefit obligation (asset) as at December 31, 2023	$ 111.9	$ (123.8)	$ (11.9)

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Movement in net defined benefit liability for the year ended December 31, 2022 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2022	$ 129.3	$ (137.4)	$ (8.1)
Effect of asset ceiling in prior year in equity	$ —	$ (2.7)	$ (2.7)
Recognized in net income			
Current service cost	5.4	—	5.4
Administrative expenses	—	0.6	0.6
Interest cost (income)	4.0	(4.3)	(0.3)
	$ 9.4	$ (3.7)	$ 5.7
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	(35.9)	—	(35.9)
Experience adjustment	1.1	—	1.1
Return on plan assets excluding interest income	—	18.6	18.6
Administrative expenses paid from fund	—	0.4	0.4
	$ (34.8)	$ 19.0	$ (15.8)
Other			
Employer contributions	—	(3.8)	(3.8)
Plan participant contributions	1.4	(1.4)	—
Benefit payments	(6.3)	6.3	—
	$ (4.9)	$ 1.1	$ (3.8)
Effect of asset ceiling in equity	—	22.2	22.2
Defined benefit obligation (asset) as at December 31, 2022	$ 99.0	$ (101.5)	$ (2.5)

Plan assets comprise the following:

	December 31, 2023	December 31, 2022
Domestic equity	$ 31.2	$ 25.7
Foreign equity	24.1	20.4
Fixed income assets	50.5	46.8
Other	33.6	29.9
Cash and short-term investments	1.1	0.9
Total plan assets	$ 140.5	$ 123.7

Other post-retirement benefit plans

The Company provides other post-retirement benefits, including extended health benefits, dental care and life insurance covering a portion of its employees in Canada. The cost of these benefits is funded primarily out of general revenues. The total estimated contributions expected to be paid to the plans, including the net benefit payments to be made in respect to unfunded plans, for the year ending December 31, 2024 are $1.1 (December 31, 2023 – $1.1).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Movement in net defined benefit liability for the year ended December 31, 2023 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2023	$ 22.4	$ —	$ 22.4
Recognized in net income			
Current service cost	0.3	—	0.3
Interest cost	1.1	—	1.1
	$ 1.4	$ —	$ 1.4
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	1.3	—	1.3
Experience adjustment	(0.6)	—	(0.6)
	$ 0.7	$ —	$ 0.7
Other			
Employer contributions	—	(0.8)	(0.8)
Benefit payments	(0.8)	0.8	—
	$ (0.8)	$ —	$ (0.8)
Defined benefit obligation as at December 31, 2023	$ 23.7	$ —	$ 23.7

Movement in net defined benefit liability for the year ended December 31, 2022 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2022	$ 30.4	$ —	$ 30.4
Recognized in net income			
Current service cost	0.5	—	0.5
Interest cost	0.9	—	0.9
	$ 1.4	$ —	$ 1.4
Recognized in net equity			
Actuarial gain arising from:			
Financial assumptions	(8.6)	—	(8.6)
	$ (8.6)	$ —	$ (8.6)
Other			
Employer contributions	—	(0.8)	(0.8)
Benefit payments	(0.8)	0.8	—
	$ (0.8)	$ —	$ (0.8)
Defined benefit obligation as at December 31, 2022	$ 22.4	$ —	$ 22.4

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Actuarial assumptions

The following represents the weighted average of the principle actuarial assumptions used in calculating the defined benefit plans and other post-retirement plans at the reporting date.

	December 31, 2023	December 31, 2022
Discount rate	4.8%	5.3%
Future salary increases	3.5%	3.5%
Health care trend (Other Post Retirement Benefit Plans)	5.7%	5.7%
Longevity at age 65 for current pensioners:		
Males	22.2	22.1
Females	24.6	24.5
Longevity at age 65 for current pensioners aged 45:		
Males	23.3	23.1
Females	25.5	25.4

As at December 31, 2023, the weighted-average duration of the defined benefit obligation was 13.5 years (December 31, 2022 – 13.3).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit plans and other post-retirement plans by the amounts shown below.

As at December 31, 2023	Increase of 1%	Decrease of 1%
Discount rate	$ (15.8)	$ 19.9
Future salary growth	$ 0.7	$ (0.7)
Health care trends rate	$ 2.7	$ (2.2)
Future mortality	$ (0.3)	$ 0.3

19. Share-based compensation

In 2021, the Company established an Omnibus Long-term Incentive Plan ("Omnibus Plan"). The Omnibus Plan is a share-based plan, under which the Company receives services from directors and employees as consideration for equity instruments of the Company. The Company can issue stock options, deferred share units ("DSUs"), restricted share units ("RSUs"), and performance share units ("PSUs") pursuant to the terms and conditions of the Omnibus Plan and the related award agreements entered into thereunder.

The Company also has in place an Employee Share Trust Agreement arrangement, where eligible employees are issued shares held in a company trust ("Trustee Shares") and released upon meeting prescribed conditions.

(a) Stock Options

For the year ended December 31, 2023, the Company has granted stock options with an exercise price ranging from $6.80 to $21.65. The stock options have graded vesting schedules ranging from 3 to 4 years from the grant date. Vesting is conditional on continuous employment from the grant date to the vesting date. The stock options have a maximum term of 10 years.

Stock options are measured at fair value using the Black-Scholes option pricing model on the grant date and subsequently expensed on a graded basis over the vesting period. The amount expensed for the year ended December 31, 2023 was $3.6 (for the year ended December 31, 2022 – $4.1).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The weighted average fair value of options granted during the year ended December 31, 2023 was $4.45 (for the year ended December 31, 2022 – $3.29) . The fair value of these options granted were estimated on the date of grant using the following assumptions:

	Year ended December 31, 2023
Dividend yield	— %
Expected volatility	40.23% to 42.31%
Risk-free interest rate	2.95% to 4.17%
Expected life of share options	5.0 to 6.7 years
Weighted average share price	$10.54

The expected life of the stock options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility is based on the share price volatility observed for comparable publicly traded companies over a period similar to the life of the options.

The table below shows the movement in the number of stock options outstanding and the related weighted average exercise price.

	December 31, 2023		December 31, 2022	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Opening	8,881,616	$ 11.23	9,066,978	$ 11.40
Granted	771,269	10.54	571,021	7.59
Forfeited	(356,022)	13.33	(650,368)	11.28
Exercised	(108,982)	6.89	(106,015)	6.00
Closing	9,187,881	$ 11.15	8,881,616	$ 11.23
Stock options exercisable	7,059,450	$ 11.22	5,632,098	$ 11.31

During the year ended December 31, 2023, the weighted average market share price for stock options exercised was $8.76 (December 31, 2022 – $8.27).

The information regarding the stock options outstanding and exercisable as at December 31, 2023 is summarized below:

	Outstanding options			Exercisable options	
Range of exercise prices	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average exercise price
$6.00 - $11.55	6,204,232	7.30	$ 7.99	4,681,139	$ 7.90
$14.00 - $18.00	2,401,494	7.06	14.96	1,914,040	14.95
$21.65 - $30.00	582,155	7.29	29.02	464,271	29.33
	9,187,881	7.24	$ 11.15	7,059,450	$ 11.22

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The information regarding the stock options outstanding and exercisable as at December 31, 2022 is summarized below:

	Outstanding options			Exercisable options	
Range of exercise prices	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average exercise price
\$6.00 - \$9.60	5,702,487	8.0	\$ 7.78	3,578,177	\$ 7.77
\$14.00 - \$18.00	2,626,974	8.0	14.91	1,692,842	14.9
\$22.00 - \$30.00	552,155	8.1	29.42	361,079	29.56
	8,881,616	8.0	\$ 11.23	5,632,098	\$ 11.31

(b) Trustee Shares

Immediately prior to the IPO in 2021, the Company transferred from the Plan a total of 547,292 stock options to Trustee Shares for certain employees, which vest on the same basis as the originating stock options. No additional Trustee Shares have been granted subsequently. The amount expensed for the year ended December 31, 2023 was \$0.1 (for the year ended December 31, 2022 – \$1.2).

The number of Trustee Shares outstanding and vested as at December 31, 2023 is nil. (December 31, 2022 – 30,713).

(c) DSUs

The Company offers DSUs to the Company's independent directors, where they are entitled to receive all or a portion of their annual compensation in the form of DSUs in place of cash commencing in 2022. The DSUs vest immediately upon grant and are equity-settled, entitling participants to receive one common share for each DSU. The amount expensed for the year ended December 31, 2023 is \$1.0 (for the year ended December 31, 2022 – \$1.2). The weighted average fair value of DSUs granted during the year ended December 31, 2023 was \$8.94 (December 31, 2022 – \$7.85).

(d) RSUs and PSUs

In 2023, the Company granted RSUs and PSUs to eligible employees. The RSUs vest over 1 to 3 years in annual instalments from the grant date commencing in 2022. Vesting is conditional on continuous employment from the grant date to the vesting date. The PSUs vest over 3 years from the grant date and is conditional on continuous employment as well as attainment of performance targets. The amount expensed for the year ended December 31, 2023 is \$5.3 (for the year ended December 31, 2022 – \$2.0). The weighted average fair value of RSUs and PSUs granted during the year ended December 31, 2023 were \$7.30 and \$7.28, respectively (December 31, 2022 – \$8.05 and \$8.14, respectively).

(e) Award units continuity – Trustee Shares, DSUs, RSUs and PSUs

The table below shows the movement in the award units outstanding over the years ended December 31, 2023:

	Trustee Shares	DSUs	RSUs	PSUs
As at January 1, 2023	306,554	128,828	623,408	219,786
Granted	—	111,167	755,277	279,747
Forfeited/Cancelled	(56,049)	—	(56,064)	(46,756)
Settled/Converted	(171,122)	(24,832)	(195,750)	—
As at December 31, 2023	79,383	215,163	1,126,871	452,777

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The table below shows the movement in the award units outstanding over the year ended December 31, 2022:

	Trustee Shares	DSUs	RSUs	PSUs
As at January 1, 2022	547,292	—	—	—
Granted	—	148,315	635,718	219,786
Forfeited/Cancelled	(24,148)	—	(12,310)	—
Exercised/Converted	(216,590)	(19,487)	—	—
As at December 31, 2022	306,554	128,828	623,408	219,786

20. Financial instruments and fair value disclosures

(a) Financial instruments by category:

The classification of financial instruments and their carrying amounts are as follows:

	December 31, 2023	December 31, 2022
Financial assets (liabilities) measured at FVTPL		
Derivative financial assets	$ 2.2	$ 2.8
Derivative financial liabilities	(6.0)	(0.3)
Investment in equity securities	2.1	2.7
Financial assets measured at FVOCI		
Derivative financial assets	$ 0.8	$ 2.0
Financial assets (liabilities) measured at amortized cost		
Cash	$ 22.5	$ 39.3
Trade and other receivables	169.5	155.5
Unbilled receivables	183.1	121.0
Accounts payable and accrued liabilities	(219.1)	(124.3)
Long-term debt	(438.9)	(243.6)

(b) Fair value of financial instruments:

The table below shows the fair values of financial instruments along with their levels in the fair value hierarchy. It does not include fair values of those financial instruments measured at amortized cost for which the carrying amount is a reasonable approximation of fair value, which include cash, trade and other receivables, accounts payable and accrued liabilities, and non-trade payables.

	December 31, 2023				December 31, 2022			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets								
Derivative financial instruments	$ —	$ 3.0	$ —	$ 3.0	$ —	$ 4.8	$ —	$ 4.8
Investment in equity securities	2.1	—	—	2.1	2.7	—	—	2.7
Liabilities								
Derivative financial instruments	$ —	$ 6.0	$ —	$ 6.0	$ —	$ 0.3	$ —	$ 0.3

During the year, no transfers occurred between the different levels.

Level 2 derivative financial instruments comprise interest rate swaps and foreign exchange embedded derivatives within revenue and purchase contracts. The Company determines fair value of its derivative financial instruments based on management estimates and observable market-based inputs. The fair value of interest rate swaps is determined as the present value of estimated future cash flows, discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark rate used by market participants for this purpose when pricing the interest rate swaps. The fair value of foreign exchange embedded derivatives include management assumptions concerning the amount and timing of estimated future cash flows and observable market-based inputs such as currency spot and forward rates.

Level 2 long-term debt is the senior revolving credit facility described in note 16. The Company determines the fair value of the long-term debt based on the present value of future cash flows.

During the year ended December 31, 2022, former second lien notes and the embedded redemption feature were redeemed as part of the refinancing transaction described in note 16. The redemption feature was fair valued on the redemption date. The fair value decline from December 31, 2021 to May 5, 2022 of $5.3 was included in unrealized loss on financial instruments in the consolidated statement of comprehensive income for the year ended December 31, 2022.

(c) Interest Rate Risk

The Company was exposed to interest rate risk from fluctuations in interest rates on its floating rate on its senior revolving credit facility. As at December 31, 2023, all of the Company’s borrowings, in the amount of $440.0, under its senior revolving debt carried floating rates.

The Company manages interest rate risk by monitoring the mix of fixed and floating rate debt in the respective environment and takes action as necessary to maintain an appropriate balance considering current market conditions. At December 31, 2023, the Company has entered into interest rate swap contracts to mitigate exposure to interest rate fluctuations on $225.0 of borrowing under its senior revolving credit facility. As at December 31, 2023, the Company had outstanding interest rate swap contracts with third-party banks expiring December 15, 2027. The aggregate notional amount of the swap contracts is $225.0. Under the swap contracts, the Company pays interest at a fixed rate of 3.46% for $150.0 and 4.14% for $75.0 of the $225.0, respectively, and receives interest at a variable rate equal to the 3-month CDOR for each 90 day period. The terms of the interest rate swap contracts with respect to the floating rate, maturity, and interest payment dates match that of the underlying borrowings, such that any hedge ineffectiveness is not expected to be significant. The fair value changes in these swap contracts were a loss of $1.4, before tax effects, for the year ended December 31, 2023 (December 31, 2022 – gain of $2.0) and are recorded in other comprehensive income.

At December 31, 2023, the interest rate risk related to $215.0 of total borrowings was unhedged (December 31, 2022 - $95.0). Based on the total outstanding borrowings at December 31, 2023, and including the impact of the interest rate swap agreements, a 1.0% increase (decrease) in the average interest rate on our borrowings would have decreased (increased) income before taxes by $2.2 annually (December 31, 2022 – $1.0). The impact on future interest expense as a result of future changes in interest rates will depend largely on the gross amount of our borrowings at the time.

(d) Credit risk:

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company is primarily exposed to credit risk through its trade and other receivables and unbilled receivables.

The Company’s credit exposure through receivables relates to a diverse group of customers, including government customers, in multiple geographic regions purchasing a wide variety of products and services from the Company, and is therefore mitigated by a reduced concentration of risk. The due date of these amounts can vary by agreement but in general balances over 90 days are considered past due.

The Company applies the simplified model of recognizing lifetime expected credit losses for all trade, unbilled and other receivables. In monitoring credit risk, customers are grouped according to their credit characteristics, including whether the customer program is funded by a government or a non-government entity, the Company’s credit history with the customer, and existence of previous or current financial challenges. Credit limits or maximum exposures under revenue contracts are identified, approved and monitored.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Set out below is the movement in the allowance for credit losses on trade and other receivables and unbilled receivables:

	December 31, 2023	December 31, 2022
Opening	$ (9.6)	$ (2.2)
Provision for credit losses	(3.1)	(7.8)
Write-offs	0.9	0.4
Ending	$ (11.8)	$ (9.6)

The gross amount of trade and other receivables disclosed in note 8 and the gross amount of unbilled receivables disclosed in note 9 represent their respective maximum credit exposures.

(e) Liquidity risk:

The Company's liquidity risk is the risk it may not be able to meet its contractual obligations associated with financial liabilities as they come due. The Company's principal sources of liquidity are cash provided by operations and access to credit facilities. The Company's short-term cash requirements are primarily to fund working capital, with medium term requirements to service and repay debt, and invest in capital and intangible assets, and research and development for growth initiatives. Cash is also used to finance other long-term strategic initiatives. For the foreseeable future, the Company believes that these principal sources of liquidity are sufficient to maintain the Company's capacity and to meet planned growth and development activities.

The maturities of the contractual cash flows of the Company's financial liabilities as at December 31, 2023 are shown in the following table:

	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
Non-derivative financial liabilities:					
Trade and other payables	$ 219.1	$ 219.1	$ 219.1	$ —	$ —
Non-trades payables	0.5	0.5	0.3	0.1	0.1
Senior revolving credit facility	438.9	440.0	—	440.0	—
	$ 658.5	$ 659.6	$ 219.4	$ 440.1	$ 0.1
Lease liabilities	$ 152.3	$ 152.3	12.0	29.8	110.5
Derivative instruments	6.0	6.0	0.8	5.2	—
	$ 158.3	$ 158.3	$ 12.8	$ 35.0	$ 110.5
	$ 816.8	$ 817.9	$ 232.2	$ 475.1	$ 110.6

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The maturities of the contractual cash flows of the Company's financial liabilities as at December 31, 2022 are shown in the following table:

	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
Non-derivative financial liabilities:					
Trade and other payables	$ 124.0	$ 124.0	$ 124.0	$ —	$ —
Non-trades payables	0.7	0.7	0.3	0.3	0.1
Senior revolving credit facility	$ 243.6	$ 245.0	$ —	$ 245.0	$ —
	368.3	369.7	124.3	245.3	0.1
Lease liabilities	$ 8.3	$ 8.3	$ 6.7	$ 1.6	$ —
Derivative instruments	0.3	0.3	0.3	—	—
	$ 8.6	$ 8.6	$ 7.0	$ 1.6	$ —
	$ 376.9	$ 378.3	$ 131.3	$ 246.9	$ 0.1

(f) Foreign exchange risk:

The Company is exposed to foreign exchange risk on sales contracts, purchase contracts as well as cash, receivable and payable balances denominated in currencies other than the functional currency of the Company's contracting entity. The currencies in which these transactions are primarily denominated are United States dollar ("USD") and Euro, with USD representing the more significant exposure. The Company is also exposed to foreign currency risk on the net assets of its foreign operations.

The Company mitigates its foreign exchange risk through reducing mismatches between currencies in its foreign currency revenue contracts and the related purchase contracts to create natural economic hedges. The Company also utilizes foreign exchange forward contracts to supplement its natural hedge strategy, where needed, to further reduce the exposure arising from expected foreign currency denominated cash flows. The term of the foreign exchange forward contracts can range from less than one month to several years. At December 31, 2023, the Company had no outstanding foreign exchange forward contracts. The Company does not enter into foreign exchange forward contracts for trading or speculative purposes and does not have any qualifying hedges for accounting purposes.

21. Capital management

The Company defines its capital as the aggregate of long-term debt and shareholder's equity. The Company's primary capital management objectives are to provide an appropriate return to shareholders, safeguard working capital over the annual operating cycle, provide financial resources to grow operations to meet long-term customer demand, and comply with financial covenants under credit facilities.

The Company's strategy to managing its capital structure is to utilize its borrowing arrangements to obtain operating credit facilities in support of its working capital and planned capital expenditures. When needed, the Company has also access to capital markets to raise equity financing. As at December 31, 2023, in addition to its outstanding long-term debt and equity, the Company also had $146.7 of available liquidity under its revolving credit facility (December 31, 2022 – $331.0). The Company continually assesses the adequacy of its capital structure and capacity and makes adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

The Company's performance against its financial covenants is discussed in detail in note 16. The Company was in compliance with the financial covenants under the Company's credit facilities throughout the year ended December 31, 2023.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

22. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value. Each common share entitles the holder of record to one vote at shareholder meetings and to participate in dividends if declared.

(b) Issued and outstanding

		Number of common shares		Amount
As at January 1, 2022		118,691,628	$	950.7
Conversion of share-based awards to common shares		322,605		0.9
As at December 31, 2022		119,014,233	$	951.6
Conversion of share-based awards to common shares	19(e)	500,686		4.5
As at December 31, 2023		119,514,919	$	956.1

All issued common shares are fully paid.

23. Income taxes

(a) Income tax expense

		December 31, 2023		December 31, 2022
Current tax expense:				
Current period	$	13.4	$	14.1
Change in estimate for prior periods		(2.5)		(10.7)
	$	10.9	$	3.4
Deferred tax expense:				
Origination and reversal of temporary difference		6.9		(3.5)
Change in estimate for prior periods		0.4		7.7
Change in unrecognized deductible temporary differences		0.3		0.3
	$	7.6	$	4.5
Income tax expense	$	18.5	$	7.9

(b) Income taxes recognized in OCI

		December 31, 2023		December 31, 2022
Opening	$	(5.3)	$	(3.4)
Income tax expense on remeasurement of defined benefit pension plans		(2.6)		(1.3)
Other		0.9		(0.6)
Closing	$	(7.0)	$	(5.3)

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(c) Income tax rate reconciliation

A reconciliation of income taxes at statutory rates to actual income tax expense is as follows:

	December 31, 2023	December 31, 2022
Statutory Federal and Provincial tax rate in Canada	26.5%	26.5%
Income tax expense at statutory tax rates	$ 17.9	$ 9.0
Earnings subject to different rates	0.2	(0.1)
Change in statutory rates	—	(0.3)
Change in unrecognized deferred tax assets	1.3	0.3
Change in uncertain tax positions	(2.0)	(1.9)
Share-based compensation	1.0	2.1
Change in estimate for prior periods	(0.4)	(3.0)
Other, including permanent differences	0.5	1.8
	$ 18.5	$ 7.9

(d) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at December 31, 2023 are attributable to the following:

	Assets	Liabilities	Net
Unbilled receivables and contract liabilities	$ —	$ 11.1	$ (11.1)
Property, plant and equipment	1.1	19.5	(18.4)
Intangible assets and goodwill	—	131.3	(131.3)
Investment tax credits	8.5	43.1	(34.6)
Trade and other payables	2.1	—	2.1
Employee benefits	5.2	—	5.2
Tax loss carry forwards	20.4	—	20.4
Other items, including financing fees	6.9	5.1	1.8
Tax assets (liabilities)	$ 44.2	$ 210.1	$ (165.9)
Set off of tax	(29.3)	(29.3)	—
Net tax assets (liabilities)	$ 14.9	$ 180.8	$ (165.9)

Deferred tax assets and liabilities as at December 31, 2022 are attributable to the following:

	Assets	Liabilities	Net
Unbilled receivables and contract liabilities	$ —	$ 6.3	$ (6.3)
Property, plant and equipment	—	16.9	(16.9)
Intangible assets and goodwill	—	133.9	(133.9)
Investment tax credits	9.8	29.0	(19.2)
Trade and other payables	1.4	—	1.4
Employee benefits	5.3	—	5.3
Tax loss carry forwards	17.6	—	17.6
Other items, including financing fees	9.9	2.6	7.3
Tax assets (liabilities)	$ 44.0	$ 188.7	$ (144.7)
Set off of tax	(24.9)	(24.9)	—
Net tax assets (liabilities)	$ 19.1	$ 163.8	$ (144.7)

The Company has recognized deferred tax assets of $14.9 in respect of a subsidiary relating to tax loss carry forwards and deductible transaction fees. These deferred tax assets have been recognized based on an estimate of future taxable profits derived from the Company’s financial projections.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(e) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of tax losses of $52.1 as at December 31, 2023 (December 31, 2022 – $10.3). These tax losses have no expiry date. Deferred tax assets have also not been recognized in respect of capital losses of $4.1 (December 31, 2022 - $3.6). These capital losses have no expiry date.

(f) Movement in deferred taxes

Movement in deferred taxes for the year ended December 31, 2023 is set out below:

	As at January 1, 2023	Recognized in net income in year	Recognized in equity in year	Recognized in goodwill in year	As at December 31, 2023
Unbilled receivables and contract liabilities	$ (6.3)	$ (4.8)	$ —	$ —	$ (11.1)
Property, plant and equipment	(16.9)	(1.6)	—	—	(18.5)
Intangible assets and goodwill	(133.9)	14.5	—	(12.0)	(131.4)
Investment tax credits	(19.2)	(15.4)	—	—	(34.6)
Trade and other payables	1.4	0.7	—	—	2.1
Employee benefits	5.3	2.5	(2.6)	—	5.2
Tax loss carry forwards	17.6	2.8	—	—	20.4
Other items, including financing fees	7.3	(6.3)	1.0	—	2.0
	$ (144.7)	$ (7.6)	$ (1.6)	$ (12.0)	$ (165.9)

Movement in deferred taxes for the year ended December 31, 2022 is set out below:

	As at January 1, 2022	Recognized in net income in year	Recognized in equity in year	As at December 31, 2022
Unbilled receivables and contract liabilities	$ (5.0)	$ (1.3)	$ —	$ (6.3)
Property, plant and equipment	(16.7)	(0.2)	—	(16.9)
Intangible assets and goodwill	(132.6)	(1.3)	—	(133.9)
Investment tax credits	(11.8)	(7.4)	—	(19.2)
Trade and other payables	1.9	(1.2)	0.7	1.4
Employee benefits	5.9	0.7	(1.3)	5.3
Tax loss carry forwards	14.0	2.1	1.5	17.6
Other items, including financing fees	5.2	4.1	(2.0)	7.3
	$ (139.1)	$ (4.5)	$ (1.1)	$ (144.7)

As at December 31, 2023, the Company had no taxable temporary differences relating to investments in subsidiaries.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

24. Earnings per share

The following table reflects the net income and share data used in the basic and diluted earnings per share calculations:

	Year ended December 31, 2023	Year ended December 31, 2022
Net earnings	$ 48.8	$ 26.3
Weighted average shares outstanding – basic	119,253,279	119,011,468
Adjustments for		
Employee stock options	1,046,712	2,742,457
Trustee shares	26,871	228,381
DSUs	154,474	41,998
RSUs and PSUs	695,512	426,838
Weighted average shares outstanding – diluted	121,176,848	122,451,142
Basic earnings per share	$ 0.41	$ 0.22
Diluted earnings per share	0.40	0.21

At December 31, 2023, 6,401,667 options and 52,512 trustee shares (December 31, 2022 – 5,904,864 options and 202,903 trustee shares) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

25. Government assistance

(a) Investment tax credits

During the year ended December 31, 2023, the Company recognized investment tax credits of $33.3 million, respectively (year ended December 31, 2022 – $54.5, respectively) as a reduction in cost of materials, labour and subcontractors, and research and development, net, on the consolidated statement of comprehensive income, and $12.5 million as a reduction in the carrying amount of related assets on the consolidated statement of financial position. Of these recognized amounts, $10.2 million is related to expenses incurred in prior years.

The Company has investment tax credits of approximately $150.0 million (December 31, 2022 - $120.9 million) available to offset future Canadian Federal and Provincial income taxes payable which expire between 2029 and 2043. Investment tax credits are only recognized in the consolidated financial statements when the recognition criteria have been met as described in note 3(q).

(b) Long Term Economic Benefits to Province of Ontario Grant (the “Ontario Grant”):

The Ontario Grant was awarded to the Company in March 2022 by the Minister of Economic Development, Job Creation and Trade to encourage investment in Ontario, which will benefit Ontario’s economic growth. Under this grant agreement, the Ontario Government will fund 24.74% of eligible spending to a maximum of $25.0, conditional on the Company investing a minimum of $101.0 in eligible project expenditures. The Company will use the funding received under the grant towards the building of its centre of control and excellence in Brampton, Ontario, as well as development of proprietary technology. For the year ended December 31, 2023, the Company has recorded a recovery of $1.5 against cost of revenues and $10.7 against long-term assets (December 31, 2022 – $2.7 and $5.4) and has received $3.9 in proceeds in respect of its claim for eligible expenditures(December 31, 2022 - $0.6).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

26. Supplementary cash flow information

The below table provides changes in operating assets and liabilities:

	2023	2022
Trade and other receivables	$ (7.5)	(62.9)
Unbilled receivables	(62.1)	(37.3)
Inventories	(2.4)	0.5
Prepaid expenses and advances to suppliers	(60.2)	(24.6)
Other assets	0.5	(1.0)
Trade and other payables	66.3	59.6
Contract liabilities	(35.4)	19.3
Employee benefits	3.3	17.2
Other liabilities	1.9	2.4
	$ (95.6)	$ (26.8)

27. Related party transactions

The Company's related parties include its subsidiaries and key management personnel. The Company's related party transactions comprises compensation expense incurred in relation to its key management personnel, as summarized below:

	December 31, 2023	December 31, 2022
Short-term and post-employment benefits	$ 9.9	$ 10.7
Share-based compensation expense	5.5	5.2
Total key management personnel compensation	$ 15.4	$ 15.9

28. Contingencies and commitments

(a) As at December 31, 2023, the Company is committed under legally enforceable agreements for purchases relating to property, plant and equipment and intangible assets of $20.2 in 2024 and $0.3 thereafter. As at December 31, 2023, the Company had commitments to leases commenced of $6.3 in 2024 and $133.9 thereafter over 19 years. Commitments relating to leases not yet commenced total $10.4 in 2024 and $26.0 over 14 years.

(b) The Company enters into agreements in the ordinary course of business with resellers and others. Most of these agreements require the Company to indemnify the other party against third-party claims alleging that one of its products infringes or misappropriates a patent, copyright, trademark, trade secret or other intellectual property right. Certain of these agreements require the Company to indemnify the other party against claims relating to property damage, personal injury or acts or omissions by the Company, its employees, agents or representatives.

(c) From time to time, the Company has made guarantees regarding the performance of its systems to its customers. The Company evaluates and estimates potential losses from such indemnification based on the likelihood that the future event will occur. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any liabilities related to such indemnification and guarantees in the consolidated financial statements.

(d) The Company has entered into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to entering into contracts for its products and services. These agreements are designed to return economic value to the designated country and may be satisfied through activities that do not require a direct cash payment, including transferring technology, providing manufacturing, training, job creation and other consulting support to in-country projects. These agreements may provide for penalties in the event the Company fails to perform in accordance with offset requirements. The Company has historically not been required to pay any such penalties.

(e) The Company is a party to various other legal proceedings and claims that arise in the ordinary course of business as either a plaintiff or defendant. The Company analyzes all legal proceedings and the allegations therein. The outcome of any of these other proceedings, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

29. Changes to classification

Certain comparative amounts for the prior period have been reclassified to conform to current period presentation on the consolidated statement of comprehensive income. Such reclassifications had no effect on the consolidated statement of financial position or shareholders' equity.