

SYLOGIST LTD.

Condensed Consolidated Financial Statements

For the three and twelve months ended September 30, 2022 and 2021



Management's Comments on Unaudited Interim Condensed Consolidated Financial Statements

Change in Year End

Effective in 2022, the Company changed its financial year-end from September 30 to December 31 to align with the financial reporting of most public issuers. The change in year-end will result in the Company's filing a one-time, fifteen-month transition year covering the period of October 1, 2021 to December 31, 2022. The information presented in the consolidated statement of comprehensive income and cash flows is for the three and twelve months ended September 30, 2022, compared to three and twelve months ended September 30, 2021. The consolidated statements of financial position as at September 30, 2022 and September 30, 2021 are presented.

Notice of no Auditor Review of Condensed Interim Consolidated Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of Sylogist Ltd. for the three and twelve months ended September 30, 2022, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed or audited by the Company's external auditors.

Signed: *“William C. Wood”*

William C. Wood, President and CEO

Sylogist Ltd.
Consolidated Statements of Financial Position
(In thousands of Canadian dollars)
Unaudited

	Notes	September 30, 2022	September 30, 2021
Assets			
Current assets			
Cash and cash equivalents	4	\$ 19,362	\$ 29,588
Trade and other receivables	5	11,000	1,985
Prepaid expenses and deposits	6	3,289	1,776
Inventory		128	218
		33,779	33,567
Non-current assets			
Property and equipment	7	985	817
Right of use assets		782	796
Intangible assets	8	50,369	41,582
Goodwill	9	29,515	21,271
		81,651	64,466
Total assets		\$ 115,430	\$ 98,033
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	11	\$ 6,267	\$ 3,491
Credit facility	12	25,710	18,210
Deferred revenue	13	23,750	17,453
Deposits and retainers	13	1,965	368
Current purchase consideration	3	1,841	-
Current lease obligations	14	303	252
		59,836	39,774
Non-current liabilities			
Deferred tax	10(a)	11,153	10,002
Lease obligations	14	553	570
Deferred bonus payments	16	54	-
Share based units	17	837	993
Purchase consideration	3	1,734	-
		14,331	11,565
Total liabilities		74,167	51,339
Shareholders' equity			
Share capital	15(b)	82,524	82,371
Contributed surplus	15(c)	5,338	4,491
Foreign currency translation reserve		2,623	(32)
Deficit		(49,222)	(40,136)
		41,263	46,694
Total liabilities and shareholders' equity		\$ 115,430	\$ 98,033

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.
Approved on behalf of the Board of Directors by:

"Taylor Gray" Director
"Barry Foster" Director

Sylogist Ltd.

Consolidated Statements of Comprehensive Income
(In thousands of Canadian dollars, except share and per share amounts)
Unaudited

For the three and twelve months ended September 30, 2022 and 2021

	Notes	Three months ended September 30,		Twelve months ended September 30,	
		2022	2021	2022	2021
Revenue	18	\$ 14,234	\$ 10,799	\$ 53,656	\$ 38,675
Cost of sales		5,344	2,763	19,755	10,710
Gross profit		8,890	8,036	33,901	27,965
General and administrative		2,298	1,846	8,728	6,757
Professional fees		384	242	1,614	1,270
Acquisition-related costs		11	358	607	1,104
Sales and marketing		943	286	3,374	904
Product development		1,169	871	4,125	1,881
Depreciation of property and equipment	7	37	22	132	61
Amortization of intangible and ROU assets	8	2,684	2,121	10,402	6,608
Stock based compensation	15(c)	181	515	877	1,777
Foreign exchange (gain) loss		(11)	4	(10)	94
Change in purchase consideration fair value	3	305	-	305	-
Share based (recovery) payments	17	(124)	(194)	(215)	1,001
Interest expense		407	54	1,102	247
Interest income		(5)	(5)	(8)	(15)
Profit before income tax		611	1,916	2,868	6,276
Current income tax		565	1,056	3,228	3,479
Deferred income tax recovery	10(a)	(1,409)	(526)	(3,231)	(1,576)
	10(b)	(844)	530	(3)	1,903
Profit for the period		1,455	1,386	2,871	4,373
Other comprehensive income					
To be recycled through income:					
Exchange differences on translating foreign operations		2,382	(504)	2,655	(754)
Total comprehensive income for the period		\$ 3,837	\$ 882	\$ 5,526	\$ 3,619
Basic and diluted earnings per share		\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.18
Basic weighted average number of shares outstanding	15(h)	23,915,877	23,895,877	23,912,754	23,849,461
Diluted weighted average number of shares outstanding	15(h)	23,915,877	23,953,262	23,914,178	24,118,525

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

Sylogist Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars)
Unaudited

For the twelve months ended September 30, 2022 and 2021

	Notes	Share Capital	Contributed Surplus	Foreign Currency Translation Reserve	Deficit	Total Shareholders' Equity
As at September 30, 2020		\$ 79,564	\$ 3,280	\$ 722	\$ (31,694)	\$ 51,872
Profit for the period		-	-	-	4,373	4,373
Foreign currency translation adjustment		-	-	(754)	-	(754)
Total comprehensive income for the period		-	-	(754)	4,373	3,619
Payment of dividends	15(d)	-	-	-	(11,917)	(11,917)
Exercise of options	15(c)	3,207	(566)	-	-	2,641
Share buy-back and cancellation		(400)	-	-	(898)	(1,298)
Stock based compensation		-	1,777	-	-	1,777
Balance as at September 30, 2021		\$ 82,371	\$ 4,491	\$ (32)	\$ (40,136)	\$ 46,694
Profit for the period		-	-	-	2,871	2,871
Foreign currency translation adjustment		-	-	2,655	-	2,655
Total comprehensive loss for the period		-	-	2,655	2,871	5,526
Payment of dividends	15(d)	-	-	-	(11,957)	(11,957)
Exercise of options	15 (b)(f)	153	(30)	-	-	123
Stock based compensation	15(f)	-	877	-	-	877
Balance as at September 30, 2022		\$ 82,524	\$ 5,338	\$ 2,623	\$ (49,222)	\$ 41,263

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

Sylogist Ltd.
Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)
Unaudited

For the three and twelve months ended September 30, 2022 and 2021

	Notes	Three months ended September 30,		Twelve months ended September 30,	
		2022	2021	2022	2021
Operating Activities					
Profit before income tax		\$ 611	\$ 1,916	\$ 2,868	\$ 6,276
Items not affecting cash					
Depreciation of property and equipment	7	37	51	132	90
Amortization of intangible assets and ROU assets	8	2,832	2,203	10,550	6,691
Stock based compensation	15(c)	181	515	877	1,777
Interest on lease obligations	14	12	13	51	34
Change in purchase consideration fair value	3	305	-	305	-
Share based payments	17	(124)	(194)	(215)	1,001
Cash taxes paid		(505)	(763)	(1,709)	(1,806)
Cash generated from operating activities before non-cash change in working capital		3,349	3,741	12,859	14,063
Changes in non-cash operating assets and liabilities					
Trade and other receivables	5	(5,835)	122	(7,658)	1,611
Inventory		87	39	87	50
Prepaid expenses and deposits	6	(418)	(138)	(1,477)	(160)
Trade and other payables	11	1,501	(471)	1,514	(2,417)
Deferred revenue, deposits and retainers	13	13,241	6,542	7,671	5,675
Cash generated from operations		11,925	9,835	12,996	18,822
Investing Activities					
Purchase of property and equipment	7	(73)	(36)	(194)	(88)
Additions of intangible assets	8	(1,061)	(507)	(2,845)	(747)
Interest received		5	5	8	15
Cash paid on the acquisition of Municipal Accounting Systems, Inc.	3(c)	-	-	-	(37,578)
Cash paid on the acquisition of Mission CRM Ltd.	3(a)	-	-	(2,974)	-
Cash paid on the acquisition of The Pavlik Group Inc.	3(b)	-	-	(11,434)	-
Cash utilized in investing activities		(1,129)	(538)	(17,439)	(38,398)
Financing Activities					
Credit facility	12	-	738	7,500	18,948
Interest paid		(395)	(43)	(1,051)	(213)
Repayments of lease obligations	14	(88)	(72)	(307)	(387)
Proceeds from share issuance, less issue costs	15(b)	-	41	124	2,641
Repurchase of common shares	15(e)	-	-	-	(1,298)
Payment of dividends	15(d)	(2,990)	(2,988)	(11,957)	(11,917)
Cash (utilized) in generated from financing activities		(3,473)	(2,324)	(5,691)	7,774
Increase (decrease) in cash and cash equivalents		7,323	6,973	(10,134)	(11,802)
Effect of currency translation adjustment on cash and cash equivalents		(437)	306	(92)	(1,407)
Cash and cash equivalents, beginning of the period		12,476	22,309	29,588	42,797
Cash and cash equivalents, end of the period		\$ 19,362	\$ 29,588	\$ 19,362	\$ 29,588

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

Sylogist Ltd.

Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts and as otherwise indicated)

For the periods ended September 30, 2022 and 2021

1. Nature of operations

Sylogist Ltd. (the "Company" or "Sylogist") (TSX: SYZ.TO) is a software company that provides mission-critical SaaS solutions to over two thousand public sector customers globally across the government, nonprofit, and education verticals.

The Company was incorporated under the *Business Corporations Act* (Alberta) on March 1, 1993 and wholly owns, directly or indirectly, the following subsidiary corporations: Sylogist USA, Inc., Serenic Software (US) Corporation, Serenic Software (UK) Limited, Serenic Software Inc., Information Strategies Inc., Municipal Accounting Systems, Inc., and The Pavlik Group Inc.

Sylogist is headquartered in Calgary, Alberta, Canada with regional offices in Barrie, Ontario, Canada, Atlanta, Georgia, Littleton, Colorado, Washington, DC and Shawnee, Oklahoma in the United States of America and Oxford, Oxfordshire in the United Kingdom. The Company's registered office is located at Suite 1900, 520-3rd SW; Calgary, Alberta, Canada; T2P 0R3.

These unaudited interim condensed consolidated financial statements were approved and authorised for issuance by the Board of Directors on November 14, 2022.

2. Consolidated financial statements

(a) Statement of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board. In addition, the unaudited interim condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 3, "Summary of significant accounting policies" of the Company's audited consolidated financial statements for the year ended September 30, 2021. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended September 30, 2021.

Certain prior period amounts have been adjusted to reflect current period presentation.

(b) Change in year-end

Effective in 2022, the Company changed its financial year-end from September 30 to December 31 to align with the financial reporting of most public issuers. The change in year-end will result in the Company's filing a one-time, fifteen-month transition year covering the period of October 1, 2021 to December 31, 2022. The information presented in the consolidated statement of comprehensive income and cash flows is for the three and twelve months ended September 30, 2022, compared to the three and twelve months ended September 30, 2021. The consolidated statements of financial position as at September 30, 2022 and September 30, 2021 are presented.

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(c) Basis of measurement

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, which is based on the fair value of the consideration at the time of the transaction.

(d) Functional and presentation currency

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of Sylogist. The functional currency of Serenic Software (US) Corporation, Serenic Software, Inc., Information Strategies, Inc. and Municipal Accounting Systems, Inc. has been determined to be the United States dollar, and the functional currency of Serenic Software (UK) Limited has been determined to be the British Pound.

(e) Use of estimates, judgments and assumptions

The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these interim condensed financial statements are as follows:

Impact of the COVID-19 pandemic - in March 2020, the World Health Organization declared coronavirus outbreak (“COVID-19”) a pandemic. Responses to the spread of COVID-19 resulted in a partial shutdown of the global economy leading to significant disruption to business operations and a significant increase in economic uncertainty with volatile commodity prices and currency exchange rates. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. A potential adverse impact to the Company includes reductions in revenues and cash flows and increased risk of non-payment from customers. Estimates made during this period of extreme volatility are subject to a higher level of uncertainty and as a result, there may be a further prospective impact in future periods.

Property, equipment and intangible assets – estimates are used in determining useful economic lives and residual values of property and equipment for the purpose of calculating depreciation and judgment is applied in determining the appropriateness of the depreciation method used.

Acquired intangible assets - The Company uses the income approach to value acquired technology and customer relationship intangible assets. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life. The Company utilizes the discounted cash flow method which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. These cashflows are based on forecasted revenue growth rates, forecasted earnings before interest, tax, depreciation, and amortization (“EBITDA”) margins, estimated annual customer attrition rate,

Sylogist Ltd.

Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts and as otherwise indicated)

For the periods ended September 30, 2022 and 2021

and assumed royalty rate. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows is then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible assets. These estimates required for the discounted cash flow method are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, these estimates are subject to a significant degree of judgement as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Intangible assets - are reviewed annually with respect to their useful lives, or more frequently if events or changes in circumstances indicate that the assets might be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. As a result, any impairment losses are a result of management's best estimates of expected revenues, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, impairment tests involve a significant degree of judgement as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Goodwill - is not amortized but is subject to impairment testing at least once a year, or more frequently if events or changes in circumstances indicate the carrying amount maybe impaired. As a result, any impairment losses are a result of management's best estimates of expected revenues, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, impairment tests involve a significant degree of judgement as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Stock based compensation - assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives.

Deferred income taxes - assumptions and estimates are made regarding the amount, utilization and timing of realization and/or settlement of the temporary differences between the accounting carrying value of the Company's assets and liabilities versus the tax basis of those assets and liabilities, and the tax rates at which the differences will be recovered or settled in the future. The Company has recorded the full deferred tax asset related to Sylogist's subsidiary Serenic Software Inc.'s net operating losses subject to an expiry date based on a consideration of all available positive and negative evidence, including the reversal of all existing temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The Company's deferred tax assets are based on estimates of future cash flows and profitability. By their nature, these estimates are subject to measurement and depend on considerable risks and uncertainties.

Sylogist Ltd.

Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts and as otherwise indicated)

For the periods ended September 30, 2022 and 2021

Contracts with multiple products or services – contracts with customers often include promises to deliver multiple products, such as subscription, maintenance, professional services and stand-alone software licenses. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. The determination of the standalone selling prices (“SSP”) for distinct performance obligations can also require judgment and estimates, as the SSP is an estimate of the price that would be charged if the distinct good or service was sold separately in similar circumstances and to similar customers.

The Company also applies estimates when calculating professional services revenue from certain consulting contracts as it relates to remaining labour hours required to complete the contract. Estimates are continually and routinely revised as new information becomes available. In assessing revenue recognition, judgment is also used in assessing the ability to collect the corresponding account receivable.

3. Business acquisitions

(a) On October 6, 2021, Sylogist completed the acquisition of all the common shares of Mission CRM Ltd. (“Mission CRM”), for \$2,974 including working capital adjustments, plus an earnout tied to agreed-upon revenue targets over the next three years ending September 30, 2024. Payments pursuant to the earnout will be settled in cash annually no later than 90 days following each fiscal year end. The earnout is treated as a contingent consideration measured at fair value, with the portion payable within one year considered a current liability, and the balance considered a long-term liability. The contingent consideration will be reviewed and reassessed at each period end.

During the twelve months ended September 30, 2022, the Company recognized a \$305 fair value adjustment for the Mission CRM earnout, which is included in the interim consolidated statements of comprehensive income. The fair value of the purchase consideration of \$3,575 was estimated by calculating the present value of the future forecasted cash flows, using a discount rate of 10%.

Mission CRM is the developer of the Mission CRM fundraising and donor engagement SaaS platform, built on a Microsoft Dynamics 365 and Azure foundation, fully embracing the Microsoft Data Model for large and mid-market nonprofit and non-government organizations.

This transaction has been accounted for as a business combination using the acquisition method whereby the net assets acquired, and the liabilities assumed are recorded at fair value. The goodwill of \$2,873 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Mission CRM’s and Sylogist’s Public Sector. None of the goodwill recognized is deductible for income tax purposes. The impact of acquisition accounting applied in connection with the acquisition of Mission CRM is as follows:

Sylogist Ltd.

Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts and as otherwise indicated)
For the periods ended September 30, 2022 and 2021

Net working capital acquired	\$	48
Intangible assets: customer list		2,345
Intangible assets: software code		1,316
Intangible assets: non-compete agreements		860
Deferred tax		(1,198)
Total identifiable net assets acquired	\$	3,371
Goodwill		2,873
Total net assets acquired		6,244
Purchase consideration		(3,270)
Cash impact of acquisition	\$	2,974

The amount of revenue generated and loss before income tax incurred by Mission CRM since the acquisition date and included in the interim consolidated statements of comprehensive income for the twelve months ended September 30, 2022, was approximately \$1,944 and \$623, respectively. If the acquisition had occurred on October 1, 2021, management estimates that the Company's revenue would have increased by approximately \$23 and the profit before income tax for the twelve months ended September 30, 2022, would have decreased by approximately \$16. In determining these amounts, management has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition, would have been the same as if the acquisition has occurred on October 1, 2021. The transactions costs related to the acquisition and integration of Mission CRM, amounted to \$280 and were expensed in the interim condensed consolidated financial statements.

(b) On October 18, 2021, Sylogist completed the acquisition of all the common shares of The Pavlik Group Inc. and affiliated entities ("Pavliks") for \$11,434 subject to working capital adjustments. This included a \$400 holdback with respect to finalizing working capital adjustments. On April 12, 2022, the Company settled its holdback with the shareholders of Pavliks. Pavliks' shareholders received \$357, and the remainder was retained by Sylogist.

Pavliks is a provider of proprietary SaaS applications and professional services primarily to public sector organizations and member associations.

This transaction has been accounted for as a business combination using the acquisition method whereby the net assets acquired, and the liabilities assumed are recorded at fair value. The goodwill of \$4,292 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Pavliks' and Sylogist's Public Sector. None of the goodwill recognized is deductible for income tax purposes. The impact of acquisition accounting applied in connection with the acquisition of Pavliks is as follows:

Sylogist Ltd.

Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts and as otherwise indicated)
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Net working capital acquired	\$ 1,737
Inventory	2
Property and equipment	104
Intangible assets: customer list	3,105
Intangible assets: brand	793
Intangible assets: software code	3,263
Intangible assets: non-compete agreements	2,654
Deferred tax	(2,673)
Total identifiable net assets acquired	\$ 8,985
Goodwill	4,292
Purchase price	\$ 13,277
Total net assets acquired	(1,843)
Cash impact of acquisition	\$ 11,434

The amount of revenue and loss before income tax generated by Pavliks since the acquisition date and included in the interim consolidated statements of comprehensive income for the twelve months ended September 30, 2022, was approximately \$9,109 and \$41, respectively. If the acquisition had occurred on October 1, 2021, management estimates that the Company's revenue would have increased by approximately \$388 and the profit before income tax for the twelve months ended September 30, 2022, would have increased by approximately \$9. In determining these amounts, management has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition, would have been the same as if the acquisition has occurred on October 1, 2021. The transactions costs related to the acquisition and integration of Pavliks, amounted to \$322 and were expensed in the interim consolidated financial statements.

(c) On March 17, 2021, Sylogist completed the acquisition of all the common shares of Municipal Accounting Systems, Inc. ("MAS") for cash consideration of approximately \$37,578 before post-closing adjustments. This includes a \$623 holdback with respect to the settlement of outstanding customer accounts, which was released in July 2021.

MAS, based in Shawnee, Oklahoma, is a highly regarded provider of student information management and accounting solutions to K-12 public school districts. MAS was founded in 1985 and has grown to serve nearly 85% of the Oklahoma K-12 public education market with its integrated Wen-GAGE platform. The modern SaaS solution includes advanced budgeting and accounting, comprehensive student information tracking, grading and scheduling, and lunchroom administration. MAS is highly complementary to the Company's existing SaaS K-12 solutions and will allow the Company to provide more feature-rich, scalable and flexible offerings to customers and new school districts throughout North America.

This transaction has been accounted for as a business combination using the acquisition method whereby the net assets acquired, and the liabilities assumed are recorded at fair value. The goodwill of \$12,888 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of MAS's and Sylogist's Public Sector. None of the goodwill recognized is deductible for income tax purposes. The impact of acquisition accounting applied in connection with the acquisition of MAS is as follows:

Sylogist Ltd.

Notes to the Consolidated Financial Statements
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Net working capital acquired	\$	177
Building		686
Furniture and equipment		27
Intangible assets: customer list		21,789
Intangible assets: software code		4,946
Intangible assets: non-compete agreements		6,104
Deferred tax		(9,039)
Total identifiable net assets acquired	\$	24,690
Goodwill		12,888
Consideration paid	\$	37,578

4. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Cash	\$ 19,362	\$ 19,689
Cash equivalents	-	9,899
Total	<u>\$ 19,362</u>	<u>\$ 29,588</u>

As of September 30, 2021, cash equivalents comprised of a Notice Account with interest rates of 0.20% - 0.30%.

5. Trade and other receivables

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Trade receivables, gross	\$ 10,837	\$ 1,955
Allowance for doubtful accounts	(65)	(83)
	<u>10,772</u>	<u>1,872</u>
Other receivables ⁽¹⁾	228	113
Total accounts receivable	<u>\$ 11,000</u>	<u>\$ 1,985</u>

⁽¹⁾ Other receivables consist primarily of unbilled receivables.

Due to their short-term nature, the net carrying value of trade receivables approximates fair value (Note 22).

6. Prepaid expenses and deposits

Prepaid expenses include prepayments for lease obligations and software royalties paid to third parties that will be expensed in future periods.

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Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts and as otherwise indicated)
For the periods ended September 30, 2022 and 2021

	September 30, 2022	September 30, 2021
Prepaid software royalties	\$ 2,407	\$ 1,152
Other prepaid expenses and deposits	882	624
	\$ 3,289	\$ 1,776

7. Property and equipment

	September 30, 2022			September 30, 2021		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Building	\$ 753	\$ 46	\$ 707	\$ 700	\$ 15	\$ 685
Computer hardware	1,360	1,121	239	1,118	992	126
Furniture and equipment	331	308	23	299	294	5
Leasehold improvements	553	537	16	534	533	1
	\$ 2,997	\$ 2,012	\$ 985	\$ 2,651	\$ 1,834	\$ 817

8. Intangible

	September 30, 2022			September 30, 2021		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Software licenses and rights	\$ 4,799	\$ 3,665	\$ 1,134	\$ 3,915	\$ 3,468	\$ 447
Customer lists	48,603	20,948	27,655	40,914	15,288	25,626
Software codes	27,403	13,963	13,440	20,121	11,022	9,099
Employment agreements	11,518	3,378	8,140	7,434	1,024	6,410
	\$ 92,323	\$ 41,954	\$ 50,369	\$ 72,384	\$ 30,802	\$ 41,582

- (1) During the twelve months ended September 30, 2022, \$300 of amortization related to Right of Use ("ROU") asset was included in the total amortization reflected in the interim consolidated statements of comprehensive income, (September 30, 2021 - \$390).
- (2) During the twelve months ended September 30, 2022, the Company capitalized \$2,553, offset by \$161 of ITC's (September 30, 2021 - \$705, offset by \$128 of ITC's) of software development costs.

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9. Goodwill

The carrying amount of goodwill can be analyzed as follows:

	September 30, 2022	September 30, 2021
Gross carrying amount from:		
Acquisition of Bellamy	\$ 1,934	\$ 1,934
Acquisition of Weave	771	771
Acquisition of Serenic	4,522	4,522
Acquisition of InfoStrat	996	996
Acquisition of MAS	12,888	12,888
Acquisition of Mission CRM	2,873	-
Acquisition of Pavlik Group	4,292	-
Foreign exchange impact	1,239	160
	\$ 29,515	\$ 21,271

10. Income tax

(a) Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The Company recognized deferred income tax assets on tax losses carried forward and other temporary differences to the extent that the realization of the related tax benefits through reversal of deferred tax liabilities, future taxable profit and tax planning strategies is probable. The components of the Company's deferred income tax assets and liabilities are as follows:

	As at September 30, 2021	Recognized in earnings	Recognized from business acquisition	Other⁽¹⁾	As at September 30, 2022
Property, equipment and intangibles	\$ (10,486)	\$ 2,336	(3,871)	\$ (699)	\$ (12,720)
Scientific research and development pools	(48)	(36)	-	147	63
Non-capital losses	150	838	-	12	1,000
Share issuance and other	382	93	-	29	504
	\$ (10,002)	\$ 3,231	(3,871)	\$ (511)	\$ (11,153)

	As at September 30, 2020	Recognized in earnings	Recognized from business acquisition	Other⁽¹⁾	As at September 30, 2021
Property, equipment and intangibles	\$ (2,722)	\$ 1,386	(9,039)	\$ (111)	\$ (10,486)
Scientific research and development pools	80	(24)	-	(104)	(48)
Non-capital losses	212	(62)	-	-	150
Share issuance and other	106	276	-	-	382
	\$ (2,324)	\$ 1,576	(9,039)	\$ (215)	\$ (10,002)

⁽¹⁾ Other comprehensive income and other

The Company offsets the deferred tax assets and deferred tax liabilities to the extent that they relate to the same taxing authorities and there is a legally enforceable right to do so.

(b) The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to profit before income tax. The major components of these differences are explained as follows:

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	Three months ended September 30,		Twelve months ended September 30,	
	2022	2021	2022	2021
Profit before income taxes	\$ 611	\$ 1,916	\$ 2,868	\$ 6,276
Corporate income tax rate	25.3%	23.0%	25.3%	23.0%
Computed expected tax provision	154	440	724	1,443
Increase (decrease) in income taxes resulting from:				
- Statutory and other rate differences	(344)	(81)	(329)	(28)
- Stock option compensation expense	214	90	222	354
- Change in unrecognized deferred tax assets	(335)	(65)	18	(65)
- Adjustments in respect of prior periods	(359)	-	(359)	-
- Other	(174)	146	(279)	199
Income tax expense (recovery)	\$ (844)	\$ 530	\$ (3)	\$ 1,903

In 2022, the Canadian combined federal and blended provincial corporate income tax rate was 25.3% (September 30, 2021 – 23.0%). The increase from 2021 was due to an increase in the blended provincial tax rate resulting from the acquisition of Mission and Pavlik in 2022, which operate predominantly in Ontario.

The adjustment in respect of prior periods relates to events in the current period and reflects the effects of changes in rules, facts or other factors compared with those used in establishing the tax balance in prior periods.

(c) Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses can be utilized.

The US operations have net operating losses of \$1,116 (September 30, 2021 - \$998), which are available to reduce taxable income in future periods subject to specific annual loss limitations with the maximum annual loss claim being \$152 (US \$111). The net operating losses carried forward expire at various dates up to 2032. The future tax benefit of net operating losses and deferred tax assets totalling \$1,106 (September 30, 2021 - \$1,038) has not been recognized in these interim condensed consolidated financial statements.

The UK operations have trading losses of \$5,140 (September 30, 2021 - \$5,722), which could reduce taxable income in future periods. The future tax benefit of the trading losses being carried forward has not been recognized in these interim condensed consolidated financial statements. The trading losses carried forward do not expire but are subject to specific loss limitations.

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11. Trade and other payables

Trade and other payables can be summarized as follows:

	September 30, 2022	September 30, 2021
Trade payables	\$ 1,326	\$ 630
Short-term employee payable	2,595	2,328
Professional fees accrual	629	435
Supplier costs accrual	205	49
Corporate taxes payable	1,375	-
Other taxes payable	137	49
	\$ 6,267	\$ 3,491

12. Credit facility

On October 9, 2020, the Company entered into a Credit Agreement for a Revolving Facility which was set at \$75,000 that can be used for general corporate purposes. The credit facility is committed for the first year, and renewable annually subject to agreement between the lender and Sylogist. The Company may repay outstanding amounts under the Credit Agreement at any time.

Security under the Credit Agreement consists of a general security agreement over all assets of Sylogist and its material subsidiaries.

On February 3, 2022, the Company amended the Credit Facility agreement to expand available credit from \$75,000 to \$125,000. Also, advances under the Credit Facility may now be made based on lenders' prime rate or the U.S. base rate plus 0.0% – 0.8% or based on the banker's acceptance ("BA") rate plus 1.5% – 2.3%. Sylogist pays standby fees of between 0.3% – 0.5% per annum on any undrawn portion of the Credit Facility. The standby fees and premiums on base interest rates within the respective ranges are determined based on the Company's ratio of funded debt to EBITDA. The revised credit agreement requires the Company to maintain a Funded Debt to EBITDA ratio not greater than 3.50:1.00 at any given time (or 4.00:1.00 for 180 days following an acquisition), and a Fixed Charge Coverage Ratio not less than 1.50:1.00. The Credit Facility matures on January 31, 2023, and remains a revolving facility for general corporate purposes.

During the twelve months ended September 30, 2022, the Company drew \$7,500 in connection with the acquisition of Pavliks.

At September 30, 2022, the Company was in compliance with all its financial covenants.

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13. Deferred revenue, deposits and retainers

Deferred revenue, deposits and retainers can be summarized as follows:

	Deferred Revenue	Deposits and Retainers
Balance at October 1, 2020	\$ 13,693	\$ 156
New Contracts	27,771	3,958
Amount from Acquisitions	2,155	21
Applied or Amortized	(26,166)	(3,767)
Balance at September 30, 2021	<u>\$ 17,453</u>	<u>\$ 368</u>
New Contracts	39,247	4,184
Amount from Acquisitions to be amortized	139	85
Applied or Amortized	(33,089)	(2,672)
Balance at September 30, 2022	<u>\$ 23,750</u>	<u>\$ 1,965</u>

14. Lease obligations

The Company's leases are for office space. These leases contain renewal options for additional terms, but since the Company is not reasonably certain it will exercise the renewal options, they have not been included in the measurement of the lease obligations.

The following table presents lease obligations for the Company as at September 30, 2022:

	September 30, 2022	September 30, 2021
Balance, beginning of the period	\$ 822	\$ 498
Additions	252	677
Interest on lease liability	51	34
Lease payments	(307)	(387)
Effects of foreign exchange	38	-
Balance, end of the period	<u>\$ 856</u>	<u>\$ 822</u>
Current	303	252
Long-term	553	570

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The following table presents contractual undiscounted payments for lease obligations at September 30, 2022:

	September 30, 2022		September 30, 2021
Less than one year	\$ 303	\$	10
Between one and five years	553		758
	\$ 856	\$	768

For the three and twelve month periods ended September 30, 2022, the Company made cash payments for short-term or low-value leased assets of \$54 and \$251 (September 30, 2021 - \$10 and \$61) which are recorded in general and administrative expense.

15. Share capital

(a) Authorized: Unlimited number of common shares

(b) Issued

	September 30, 2022		September 30, 2021	
	Number	\$	Number	\$
Common shares				
Balance, beginning of the period	23,900,877	\$ 82,371	23,765,944	\$ 79,564
Repurchase of common shares	-	-	(118,400)	(400)
Issued on exercise of options	15,000	123	253,333	2,641
Grant date fair value of options exercised	-	30	-	566
Balance, end of the period	23,915,877	\$ 82,524	23,900,877	\$ 82,371
Total share capital		\$ 82,524		\$ 82,371

(c) Contributed surplus

	September 30, 2022		September 30, 2021	
Balance, beginning of the period	\$ 4,491	\$	3,280	\$
Transfer to common share capital on exercise of options	(30)		(566)	
Stock based compensation	877		1,777	
Balance, end of the period	\$ 5,338	\$	4,491	\$

(d) Dividends

During the twelve months ended September 30, 2022, the Company paid regular dividends to shareholders totaling \$11,957 (September 30, 2021 - \$11,917) at an average dividend amount of \$0.50 per share (September 30, 2021 - \$0.50).

(e) Normal course issuer bid

On July 15, 2020, the Company commenced a Normal Course Issuer Bid ("NCIB") to acquire up to 2,141,228 of its common shares over the ensuing 12-month period. In fiscal 2021, the Company repurchased 118,400 common shares at an average price of \$10.96 for a total cost

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of \$1,298 of which \$898 was applied against deficit for the period ended September 30, 2021, and \$400 was applied against share capital. The NCIB terminated on July 14, 2021.

All purchases of its common shares were cancelled.

(f) Stock options

The Company has a stock option plan under which directors, officers, employees and consultants of the Company and its subsidiaries are eligible to receive stock options. The aggregate number of common shares to be issued, upon exercise of all options granted under the plan, when combined with all other security-based compensation arrangements, shall not exceed 10% of the issued common shares of the Company, at the time the options were granted. Options granted under the plan generally have a term of five years, and vest at such times as determined by the directors at the date of grant, which has generally been over three years. The exercise price of each option is determined by the directors at the market price at the date of grant. A summary of the status of the Company's stock option plan as at September 30, 2022, and changes during the period, is as follows:

	September 30, 2022		September 30, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the period	1,870,000	\$ 10.92	1,015,000	\$ 10.54
Granted	-	-	1,155,000	11.13
Exercised	(15,000)	8.25	(253,333)	10.42
Forfeited	(82,667)	12.24	-	-
Expired	(32,333)	10.30	(46,667)	10.30
Outstanding, end of the period	1,740,000	\$ 10.90	1,870,000	\$ 10.92
Options vested, end of the period ⁽¹⁾	960,497	\$ 10.81	397,500	\$ 10.53

(1) Certain vested options are exercisable once specified share price conditions are met.

The stock-based compensation included in the unaudited interim consolidated statement of comprehensive income for the three months ended September 30, 2022, was \$181 (September 30, 2021 - \$515). For the twelve months ended September 30, 2022, the stock-based compensation included in the unaudited interim consolidated statement of comprehensive income was \$877 (September 30, 2021 - \$1,777).

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

	September 30, 2022	September 30, 2021
Risk-free interest rate	3.03%	1.09%
Expected life (years)	5	5
Expected volatility	39.5%	53.7%
Annualized dividend per share	\$0.50	\$0.50
Forfeiture rate	10%	10%

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(g) The following table summarizes information about stock options outstanding and exercisable as at September 30, 2022:

		Number of Options Outstanding	Weighted- Average Remaining Period Until Vesting	Number of Options Vested⁽¹⁾	Weighted- Average Remaining Contractual Life Post Vesting
\$	10.08	60,000	-	60,000	0.3 years
	12.75	15,000	-	15,000	1.3 years
	10.65	625,000	0.1 years	520,833	2.1 years
	10.30	725,000	1.1 years	255,664	3.1 years
	11.78	225,000	1.3 years	75,000	3.3 years
	15.64	30,000	1.7 years	10,000	3.5 years
	15.33	60,000	2.5 years	24,000	3.5 years
		<u>1,740,000</u>	<u>0.7 years</u>	<u>960,497</u>	<u>2.2 years</u>

⁽¹⁾ Certain vested options are exercisable once specified share price conditions are met.

(h) The earnings per share have been calculated based on the weighted-average number of common shares outstanding during the three and twelve months ended September 30, 2022, of 23,915,877 and 23,912,754 (September 30, 2021 – 23,895,877 and 23,849,461). During the same period, the diluted weighted average number of shares outstanding was 23,915,877 and 23,914,178 (September 30, 2021 – 23,953,262 and 24,118,525). For the twelve months ended September 30, 2022, 1,424 options were included in the computation of diluted earnings per share. For the three and twelve months ended September 30, 2021, 57,385 and 269,064 options were included in the computation of diluted earnings per share.

16. Deferred bonus payments

On December 15, 2021, the Company awarded a performance bonus to an executive officer, a portion of which was elected to be deferred until employment ends. The value of the deferred amount is indexed to the trading price of the common shares of Sylogist, and the fair value adjustment, included in the interim consolidated statements of comprehensive income for the twelve months ended September 30, 2022, was a recovery of \$65 (September 30, 2021 - \$nil).

17. Share based payments

(a) Phantom Interest Award Units

On November 9, 2020, the Company granted 100,000 Phantom Interest Award Units (“PIAUs”) to an executive, that will entitle the awardee to a cash payment after 5 years of service or when a payment event occurs, whichever is first. 50,000 PIAUs vested on the grant date and the remaining 50,000 PIAUs will vest in equal installments of 10,000 PIAUs on each of the first five anniversaries of the grant date if the executive has remained employed with Company through the anniversary date. On January 18, 2021, the Company granted 50,000 PIAUs to another executive that will entitle the awardee to cash payment after 5 years of service or when a payment event occurs, whichever is first. 10,000 PIAUs vested on the grant date and the

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remaining 40,000 PIAUs will vest in equal installments of 10,000 PIAUs on each of the first four anniversaries of the grant date if the executive has remained employed with the Company through the anniversary date. The amount of cash payment for each vested PIAU shall be equal to the value of a Company common shares as of the payment date plus any dividends accrued on vested common shares.

The share-based payments included in the interim consolidated statements of comprehensive income for the three and twelve months ended September 30, 2022, were revalued reflecting a \$124 and \$215 recovery, based on average exchange rate for the period (September 30, 2021 – recovery of \$194 and expense of \$1,001), it is \$837 on the consolidated statement of the financial position (September 30, 2021 - \$993), translated at the period-end spot rate.

(b) Deferred share unit

On March 30, 2022, the Company instituted a share unit plan. Under the share unit plan, the Company is authorized to grant restricted share units, performance share units and deferred share units (“DSUs”). Under this plan, the Board of Directors granted DSUs to non-officer directors of the Company for services rendered. The DSUs are to be settled in cash within three years following the end of the year in which the services were performed in connection to which the grant was made. Additional DSUs are credited to the directors’ accounts when cash dividends are paid to the common shareholders of the Company. Such amount of additional DSUs is determined by dividing the dividends which would have been paid on the DSUs had they been common shares of the Company by the volume weighted average trading price of the Company’s shares over the 5-day trading period immediately preceding the date the dividends are paid.

Upon redemption, and at each reporting date, the DSUs are valued on a per DSU basis at an amount equal to the volume weighted average trading price of the Company’s shares over the immediately preceding 5-day trading period. During the three months ended September 30, 2022, 5,399 DSUs were granted to non-officer directors with an additional 100 DSUs granted based on dividends earned for a total of 10,468 DSUs outstanding. At September 30, 2022, \$57 was included in share based units on the consolidated statement of the financial position.

18. Segmented information

Operating segments are defined as components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Company is the President and Chief Executive Officer. Based on management’s judgment, the Company has one operating and reportable segment, the Public Sector. Segment profit is measured as net profit (loss) before the consideration of income taxes.

Geographical revenues and assets

The Public Sector segment is managed on a worldwide basis, but operates in three principal geographical areas, Canada, USA, and UK.

Substantially all of the property and equipment are located in Canada and the intangible assets and goodwill, except customer relationships and technology (which relate to US operations), pertained solely to the Canadian operations. Geographic revenues are allocated by the geographic location of the Company’s product installation, delivery or service provision.

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	Three months ended September 30,		Twelve months ended September 30,	
	2022	2021	2022	2021
Subscription and maintenance				
Canada	2,637	1,958	9,915	7,940
USA	6,474	6,798	25,427	22,549
UK and Other	51	62	216	270
	9,162	8,818	35,558	30,759
Professional services				
Canada	2,389	85	7,919	472
USA	2,019	1,625	7,537	6,575
UK and Other	2	11	19	35
	4,410	1,721	15,475	7,082
Other revenue				
Canada	392	43	1,520	192
USA	267	217	1,100	642
UK and Other	3	-	3	-
	662	260	2,623	834
Total revenue				
Canada	5,418	2,086	19,354	8,604
USA	8,760	8,640	34,064	29,766
UK and Other	56	73	238	305
	\$ 14,234	\$ 10,799	\$ 53,656	\$ 38,675

	As at September 30,	
	2022	2021
Non-current assets		
Canada	33,513	13,399
USA	48,138	51,067
	81,651	64,466

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized and includes deferred revenue, deposits and retainers that will be recognized as revenue in future periods. As of September 30, 2022, contracted not yet recognized revenue was \$25,715 (September 30, 2021 - \$17,821), of which the majority will be recognized over the next twelve months.

19. Commitments and contingencies

(a) Commitments

Operating lease and service commitments

The Company has entered into various leases for its operating premises and service commitments. Future minimum annual payments under these operating leases are as follows:

Contractual Obligations	Total	Fiscal 2022	Fiscal 2023-2027
Premise/Services	\$ 2,321	\$ 468	\$ 1,853

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(b) Contingencies

Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

(c) Indemnifications

Under the terms of certain agreements and the Company's by-laws, the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.

20. Related party transactions

During the twelve months ended September 30, 2022, the Company paid director's fees of \$233 (September 30, 2021 - \$179), and no fees are outstanding as of September 30, 2022.

Directors and executive officers, along with certain employees, also participate in the Company's stock option plan and DSUs (Note 15(f) and 17(b)).

Compensation of key management personnel, defined as the Board of Directors, the Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, the Vice President, Customer Experience, the Chief Technology & Innovation Officer, the Vice President, Talent and Engagement and the Vice President, Marketing was as follows:

	September 30, 2022	September 30, 2021
Salaries and benefits-key management	\$ 2,457	\$ 1,751
Executive bonus	437	677
Stock based compensation	845	1,638
Share based payments	(215)	1,001
Directors' fees	233	179
	\$ 3,757	\$ 5,246

21. Capital risk management

The Company's objective, when managing capital, is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. Managed capital consists of the Company's current working capital (current assets less current liabilities), credit facility and shareholders' equity. The Company sets the amount of managed capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining adequate debt and equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year-over-year sustainable, profitable growth. The Company is not subject to any externally imposed capital requirements.

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22. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables. The carrying values of the Company's financial instruments approximate their fair values due to the short-term nature of these instruments. The nature of these instruments and the Company's operations expose the Company to interest rate, foreign currency, liquidity, and fair value risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. These risks are outlined more fully below.

(a) Foreign currency rate risk management

A portion of the Company's sales are made to customers in the United States and Europe. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates. The Company does not have any exposure to highly inflationary foreign currencies. The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and trade accounts receivable to offset foreign currency payables.

As at September 30, 2022, the increase or decrease in profit before income tax for each 1% change in the value of the Canadian dollar against the US dollar amounts to approximately \$58 (September 30, 2021 - \$6). For the same period, the increase or decrease in profit before income tax for each 1% change in the value of the Canadian dollar against the Great British Pound amounts to approximately \$3 (September 30, 2021 - \$5).

(b) Credit risk

The Company is exposed to normal credit risk. The objective of managing counterparty credit risk is to prevent losses relating to financial assets. As at September 30, 2022, the majority of the Company's cash and cash equivalents are held at two Canadian Chartered Banks. The Company has a concentration of credit risk. The concentration of credit risk is mitigated by having concentrations with credit worthy clients and broadening the Company's customer base. The allowance for doubtful accounts of \$65 represents approximately 1% of the trade accounts receivable as of September 30, 2022 (September 30, 2021 - 4%). As at September 30, 2022, three customers accounted for 48% (September 30, 2021 - three customers accounted for 19%) of the Company's total trade accounts receivable. Subsequent to September 30, 2022, approximately 50% of total trade accounts receivable was collected. Revenue from one customer represented approximately \$2,091 or 4% of consolidated revenue earned during twelve months ended September 30, 2022 (September 30, 2021 - 5%).

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Aging of trade accounts receivable

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
1-30 days	\$ 8,817	\$ 1,297
31-90 days	625	104
91 + days	1,395	554
Total trade receivables	<u>10,837</u>	<u>1,955</u>
Allowance for doubtful accounts	(65)	(83)
Other receivables	228	113
Total accounts receivable	<u>\$ 11,000</u>	<u>\$ 1,985</u>

⁽¹⁾ Other receivables consist primarily of unbilled receivables.

Allowance for doubtful accounts continuity schedule

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Balance, beginning of the period	\$ (83)	\$ (4)
Allowance recognized-net	18	(79)
Balance, end of the period	<u>\$ (65)</u>	<u>\$ (83)</u>

(c) Liquidity risk

Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Company:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Trade and other payables:

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Trade payables	\$ 1,326	\$ 630
Corporate taxes payable	1,375	-
Accrued and other payable	3,566	2,861
Total trade and other payables	<u>\$ 6,267</u>	<u>\$ 3,491</u>

Sylogist expects that cash flow from operations generated in fiscal 2022, together with cash and cash equivalents on hand, will be more than sufficient to fund its requirements for investments in working capital, maintenance, capital expenditures, and product development.

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As these variables change, liquidity risk may necessitate the need for the Company to conduct equity issues or obtain project or working capital financing.

(d) Interest rate risk

The Company's cash and cash equivalents are subject to interest rate price risk, as the value will fluctuate due to changes in market rates. As at September 30, 2022, the increase or decrease in profit before income tax for each 1% change in interest rates on the Company cash and cash equivalents, amounts to approximately \$194 (September 30, 2021 - \$296) per annum.

(e) Fair value of financial instruments

The Company has determined that the fair value of the financial instruments consisting of cash and cash equivalents, trade and other receivables, trade and other payables and credit facility are not materially different from the carrying values of such instruments reported on the consolidated balance sheet due to their short-term nature.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Sylogist Ltd.

Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts and as otherwise indicated)
For the periods ended September 30, 2022 and 2021

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Barry Foster, Chairman of the Board ^{(1) (3)}

Janice Anderson, ^{(1) (2) (3) (4)}

Craig O'Neill, ⁽²⁾

Ian McKinnon, ^{(2) (3)}

⁽¹⁾ member of audit committee

⁽²⁾ member of compensation committee

⁽³⁾ member of nominating & governance committee

⁽⁴⁾ member of the board effective March 30, 2022

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