CALIAN

Calian Technologies Ltd.
2008 Annual Report

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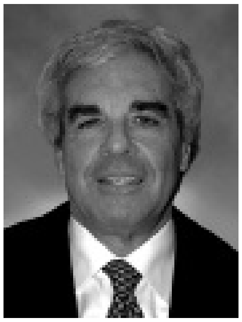
Message from the Chairman

2008 was an exciting year for Calian, a year that saw challenges and opportunities in the normal course of business as well as those associated with the increasing turmoil and uncertainty faced by global economies.

I am very proud of the accomplishments of our management team in making 2008 another successful year. The management team remained focused on the quality of our services, executed well on current projects, and continued to explore opportunities, successfully winning new work against strong competition.

Looking ahead to the future, I am confident that the strong business fundamentals that Calian has established and demonstrated will prove to be more important than ever as world economies continue to deal with ongoing uncertainty. Fiscal prudence coupled with strong corporate governance and business ethics have kept Calian above the difficulties experienced by so many companies worldwide. Our seasoned management team's uncompromised focus on quality and execution will continue to keep our customers satisfied and our day-to-day business running in a well-ordered manner.

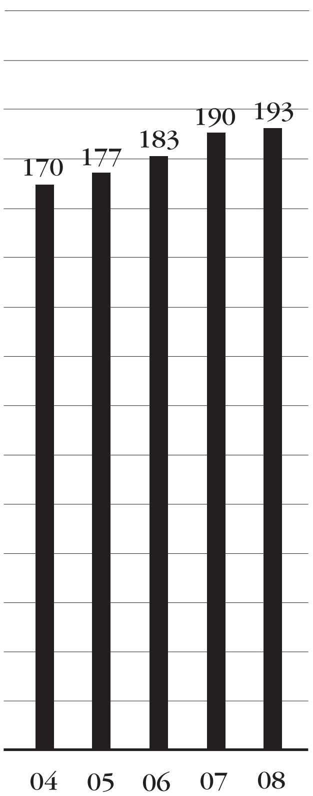
As shareholders, you have entrusted us with responsibilities for both the present and the future. I am truly proud of Calian's performance over the past year, and share the enthusiasm and confidence of the management team as we look to the future.



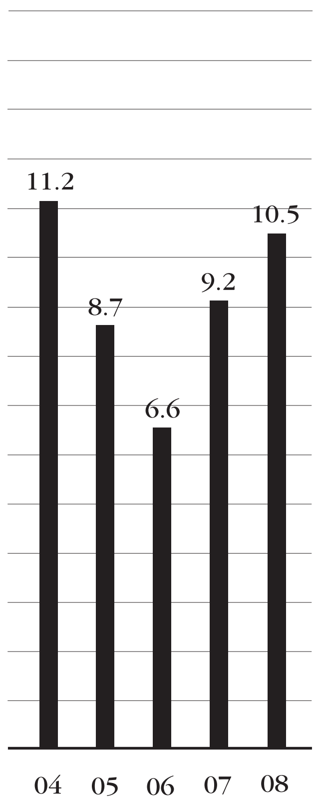
Kenneth Loeb
Chairman

(millions of dollars, except per share data)

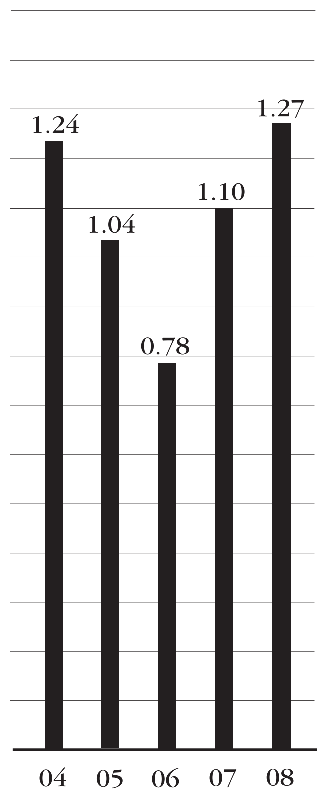
Revenues



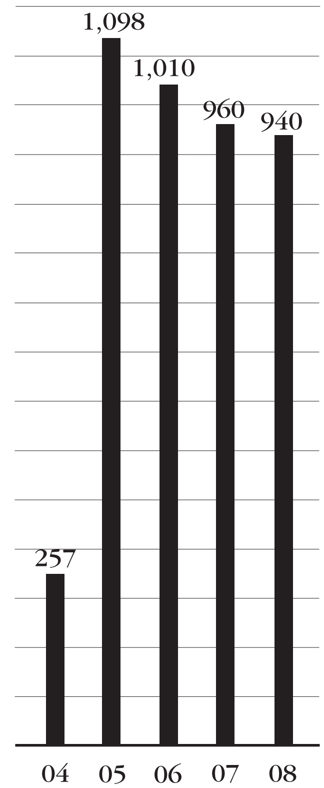
Earnings, Continuing Operations



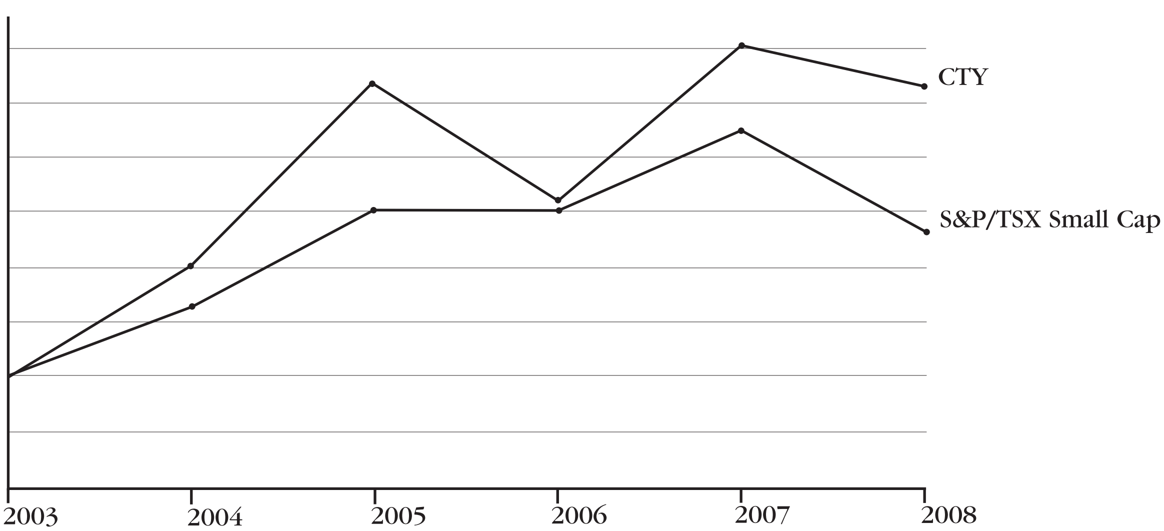
Earnings Per Share



Backlog



Comparison to TSX SmallCap Index



Message from the President and Chief Executive Officer

2008 represented yet another year of solid performance and execution for Calian. Against the backdrop of a deepening credit crisis and a fragile government environment, we were required to make the necessary adjustments to accommodate a dynamic marketplace. Fortunately, our strong financial position, coupled with our loyal customer base, allowed us to do so in a controlled manner that resulted in a very respectable year with increased revenues, improved margins and enhanced earnings relative to last year.

Our two divisions continue to provide a diversity of service offerings to a varied customer base. This diversification has allowed us to excel, even during these unsettled economic and political times.

Our SED division had a banner year. With a healthy starting backlog augmented by significant new business for both satellite systems and custom manufacturing services, the division realized a respectable increase in revenues. With expanding revenues and our traditional focus on operating costs and project execution, we were able to post a remarkable 39% increase in divisional contribution.

Our BTS division faced a number of challenges early in the year, chiefly relating to government procurement delays. While our Outsourcing department enjoyed the stability of long-term multi-year contracts, our Staffing department was more susceptible to the impacts of these delays. We were quick to recognize the issues and have made the necessary changes, not only to weather the storm but also to build for the future. While we were able to achieve revenues consistent with the prior year, our operating margins were dampened slightly as we dealt with the issues.

I am proud of the way our management team dealt with the opportunities and challenges of the last year. By taking measured and manageable risks, and by maintaining our long-standing focus on execution and customer satisfaction, we were able to deal with near-term issues while never losing sight of the future. Accordingly, both of our divisions enjoy a healthy portfolio of work as we enter the new year.

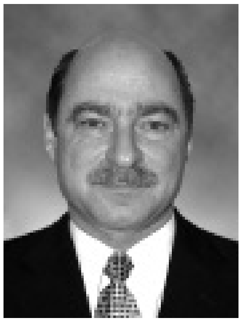
Overall, on a consolidated basis, we achieved nominal revenue growth but managed to improve our earnings per share by 15% representing an excellent return on capital employed. We have used available cash flow to fund our share repurchase program as well as increase our quarterly dividend by 25% during the year. Our dividends now stand at $0.60 per year, providing an attractive yield to our shareholders.

Unfortunately, as global financial markets reacted to the US credit crisis, these positive operating results have not been rewarded with an enhanced share price for Calian. In relative terms, however, our total return surpassed the TSX Small Cap Index by nearly 25%, a reflection of the stability and diversity of the Company's operations and its long term prospects.

Our healthy backlog, coupled with the strength of our financial and human resources, puts us in a solid position as we enter the new year. We believe that we have the management capability to convert these strengths into superior operating results, and accordingly we have high expectations for the future.

I would like to take this opportunity to thank our shareholders for their confidence during this period of global uncertainty. As financial markets regain stability and with further improvements in operating practices, we expect to deliver enhanced returns for the years ahead.

In addition to the financial statements and related notes, this annual report outlines our achievements during the year as well as our future prospects as we enter another exciting year for the Company. Our senior management team and our Board of Directors look forward to the opportunity to review them with you at the upcoming Annual Meeting.



Ray Basler

President and CEO

Report on Operations Systems Engineering

2008 was an extremely busy and successful year for the Systems Engineering Division. We achieved excellent operating results with revenue increasing to $60 million, a 7% increase over the prior year. Major projects in the satellite earth station market and significant growth in our contract manufacturing business contributed to the revenue increase. This increased level of business, along with extremely high resource utilization and excellent project execution resulted in our divisional contribution increasing to $9.0 million compared to $6.5 million last year, a 39% increase.

In 2007, we signed development contracts for large complex earth stations for the three Mobile Satellite Services companies in the US, Mobile Satellite Ventures (MSV), Terrestar and ICO Global Communications. During 2008, developments were completed and installations are progressing for ICO and Terrestar in Las Vegas and MSV in Napa valley. These major programs contributed significantly to revenue and operating profit in 2008 and deployment of additional systems for Terrestar and MSV will continue to contribute to revenue and profitability in 2009 as well. We were also successful in winning a contract to develop the Telemetry Tracking and Control Station and Satellite Control System for Ciel Satellite Group, a new satellite operator in the Canadian market.

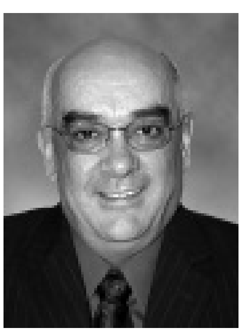
Inmarsat once again was our largest customer this year. During 2008, we have provided three RF Systems, Spectrum Monitoring Systems and an In Orbit Test System for their new Gateway station in Hawaii. We were successful in winning a major new contract to develop Aeronautical Ground Earth Stations. These stations provide the link between the terrestrial networks and the Inmarsat satellite for providing voice and data services to commercial and corporate aircraft. Development of the hardware and software is well underway with completion expected late in 2009.

The increasing level of business for our manufacturing group started in 2007 and continued throughout the year. We achieved substantial growth in our business with Kidde Dual Spectrum for wiring harnesses and electronic components of their fire suppression system. Manufacturing of these harnesses is very labor intensive requiring a 30% increase to our manufacturing staff. The level of work with DRS on Aerial Heads for the MSTAR radar decreased slightly this year. However, we received a large order for 227 Aerial Heads near the end of the year, which will contribute significantly to revenues in 2009.

We continue to provide satellite operations services for the Radarsat 1 and Scisat satellites under contract to the Canadian Space Agency (CSA). The new Radarsat 2 satellite was launched by MDA in December of 2007 and we are now operating this satellite on their behalf. In addition to these operations contracts, we are participating in the development of operations technologies for a number of new CSA space missions.

Part of our long-term strategy has been to expand our satellite operations capability to include programs and customers beyond CSA. Recently we signed long-term contracts with MSV to host their gateway equipment and with Ciel to provide operations of the Ciel-2 satellite. With these new long-term contracts in place, facilities to locate the antennas and equipment for these programs are well underway and will be complete in the fall of 2008. These new facilities will provide the core capability to allow us to market satellite operations and gateway services to other satellite operators.

In conclusion, 2008 was a very successful year for the Systems Engineering Division. Revenues were up and divisional contribution improved significantly. We have a healthy backlog and a number of excellent opportunities for new work in the coming year. We have a seasoned management team augmented by a professional workforce committed to customer satisfaction and continuous improvement, thereby helping to ensure continued success in 2009.



Brent McConnell

VP and General Manager, Systems Engineering

Report on Operations Business and Technology Services

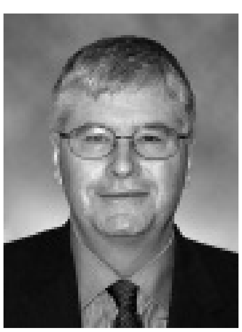
2008 was a challenging year for the Business and Technology Services (BTS) Division. With federal government procurement delays dampening the results during the first half of the year, an uptake in requirements towards the end of 2008 allowed the division to regain most of the lost contribution. In addition, the momentum built during the second half of 2008 provides optimism for further growth in 2009.

During the year, the Outsourcing Services Department (OSD) dealt with a number of competitions to renew existing contracts with the Department of National Defence (DND) and pursued many more new opportunities both within and outside of DND. Due to the lengthening government procurement cycle and increased requirements for our services, DND opted to re-compete several of our contracts earlier than previously expected. One of these renewals was awarded in 2008 and the OSD group is now expanding its support of the Canadian Forces School of Aerospace Technology and Engineering (CFSATE). The three year, $30 million contract, with options for an additional three years worth $30 million, represents a significant increase over the previous contract. OSD also rebid and won a two-year contract with DND valued at $8 million to supply instructors across the country for the Driver Wheeled Training program and the division is also awaiting decisions on several other multi-year proposals submitted to DND in 2008.

In addition to contracts with DND, the OSD group extended its current satellite operations and maintenance contracts with the Canada Centre for Remote Sensing for an additional 21 months valued at $6 million. OSD was also successful in winning a number of smaller contracts in 2008 related to training and instructional services and was able to expand its health care customer base by placing specialists with Veterans Affairs Canada, the Royal Canadian Mounted Police and Correctional Services Canada. Our US based subsidiary expanded its content management services in the aerospace market with contract wins at both Northrop Grumman Corporation and Lockheed Martin Corporation.

The Staffing Services Department (SSD) was able to adapt to the very challenging and extremely competitive public sector market environment and was successful in winning an omnibus supply arrangement for the Canadian Federal Government under the Task Based Informatics and Professional Services (TBIPS) supplier program. SSD once again renewed volume supply agreements with two of Canada's premier companies, one in the automotive manufacturing sector and the other in the telecommunications market. SSD also won an exclusive supply arrangement with a Crown corporation to supply SAP resources on a major project upgrade and prevailed in elevating our supplier status with SAP Canada to the premier level.

Looking ahead, 2009 promises to be an exciting year for the division. We are starting the year with a healthy backlog and expect considerable organic growth opportunities from several recently renewed and soon to be renewed multi-year contracts. The division is also actively preparing for a number of identified new opportunities that are expected to be competed in 2009. With our strong back office, we are competitively positioned in our pursuit of these opportunities. We continue to be focused on profitable, sustainable growth as we enter 2009 and the division is committed to delivering improved results in the coming year.



Tom Coates

VP and General Manager,
Business & Technology Services

Business of the Company

Calian sells technology services to industry and government. We operate through two autonomous divisions that complement each other and that share the vision and key tenet upon which Calian has emerged as a technology services leader — effective and prudent management with a focus on sustainable growth in carefully selected markets.

The diversity of our service offerings is at the heart of our success. By serving a number of customers in several different and geographically varied markets, we benefit from a diversity that helps us weather the downturns experienced in any one market and that allows us to take advantage of unique opportunities as they arise. This diversity is most evident when comparing the business of our two divisions.

Systems Engineering designs and manufactures complex systems. Our primary markets are the satellite communications arena and the defense and homeland security sectors. We are a small niche player serving a handful of multi-national organizations working on large worldwide projects. More than 80% of our annual revenues are derived from exports.

Our approach is simple. We tailor systems to meet individual customer needs, using advanced commercial equipment from reliable suppliers. This means less development, lower risk and cost, and faster delivery. Our customers value being able to delegate the development of large and complex systems to us, confident that our technical and management skills will deliver what we promised, when we promised it, and at the agreed price. Our core competencies make us stand out from our competitors — strong project management, systems engineering know-how, and software development capabilities. Our full-service approach addresses needs from design through long-term maintenance, helping our customers roll out new services on time and manage them profitably. We routinely enjoy repeat business due to the strong relationships we have established with industry leaders.

Business and Technology Services provides people to help customers manage their changing workforce requirements. We provide ready access to an exceptional team of engineering, technology, administrative and health care professionals. The division caters mainly to the Canadian federal government, with a large presence in the Department of National Defense, and also has a well-established private sector customer base that is expanding. About 2% of annual revenues are derived from the United States.

The services we offer allow our customers to focus their vital internal resources on key priorities. The value we add lies in the breadth of services we offer and our ability to source sufficient and appropriate resources on a timely basis to meet our customers' requirements. This is due to our exceptional recruiting capabilities, effective management of our employees in the field, and competitive rates.

A comparison of the business models and operating approaches of the two divisions further illustrates the diversity between them.

Contracts in Systems Engineering are technically complex and are typically on a fixed-price basis with demanding requirements to meet delivery schedules. The division operates essentially under a fixed-cost structure, requiring the careful management of labour utilization. The majority of revenues are derived from international sources and contracts are often denominated in foreign currencies. While the risks are high, the margins are commensurate.

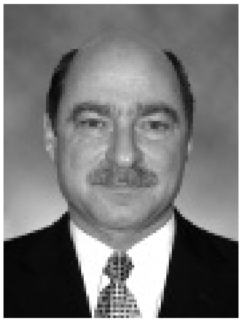
Contracts in Business and Technology Services are typically on a per-diem basis and can range from short-term assignments to multi-year operations and maintenance contracts. The cost structure of the division is variable as direct labour costs are scalable to match contract requirements. The majority of revenues are derived from Canadian sources so there is little currency exposure. With a reduced risk profile, margins are correspondingly lower.

Systems Engineering's billings are based on achieving well defined project milestones. These can be in advance of, or subsequent to the recognition of revenues. Milestone profiles vary depending on factors such as the customer, competition and pricing. Accordingly, cash flows and working capital requirements can vary significantly from project to project and over the life of any one project. In Business and Technology Services, cash flows are very predictable as most contracts call for monthly billings of work performed.

From the perspective of renewing business, Systems Engineering is awarded one project contract at a time, usually as a result of winning an open international competition. Constant marketing efforts are directed towards identifying and securing bid opportunities and a significant overhead effort is required to develop detailed proposals for new projects. The situation is similar for the short-term staffing component of the Business and Technology Services division, which requires ongoing marketing and sales efforts to maintain the backlog. However, the longer-term outsourcing component of this division enjoys the benefit of multi-year contracts that often contain provisions for extensions, offering long-term visibility of future revenues.

Overall, the diversity in markets, customers and business models provides Calian with an enviable balance in its consolidated business.

Management Team

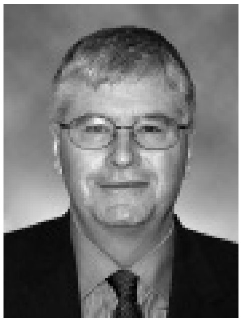


Ray Basler

President and CEO

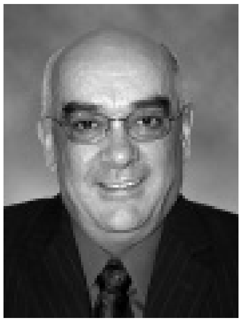
Jacqueline Gauthier

VP, CFO and Corporate Secretary



Tom Coates

VP and General Manager, Business & Technology Services



Brent McConnell

VP and General Manager, Systems Engineering

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

The following Management Discussion and Analysis is dated December 1, 2008 and should be read in conjunction with the audited consolidated financial statements and notes included in this annual report. The Company's accounting policies are in accordance with Canadian generally accepted accounting principles (GAAP) of the Canadian Institute of Chartered Accountants. As in the consolidated financial statements, all dollar amounts in this Management Discussion and Analysis are expressed in thousands of Canadian dollars unless otherwise noted.

Forward Looking Statements

The Company cautions that the forward-looking statements in the following Management Discussion and Analysis are based on certain assumptions made by the Company that may prove to be inaccurate. Forward-looking statements include those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent that they relate to the Company or its management. These forward-looking statements are not historical facts, but reflect the Company's current expectations and assumptions regarding future results or events. Assumptions made include customer demand for the Company's services, the Company's ability to maintain and enhance customer relationships, as well as the Company's ability to bring to market its services. Furthermore, the Company cautions that the forward-looking statements in the following Management Discussion and Analysis are based on current expectations as at December 1, 2008 that are subject to change and to risks and uncertainties including those set out under the heading "Risk Factors" below. Actual results may differ due to facts such as customer demand, customer relationships, new service offerings, delivery schedules, revenue mix, competition, pricing pressure, foreign currency fluctuations and uncertainty in the markets in which the Company conducts business. Additional information identifying risks and uncertainties is contained in the Company's filings with the various provincial securities regulators. Readers should not place undue reliance in the Company's forward-looking statements.

Business Overview and Strategic Direction

Calian sells technology services to industry and government. For many years, industry and government have searched for and adopted new operating models and new technologies in an effort to improve the efficiency of their operations. Management expects that they will continue to do so, and in recognizing this trend, the Company has built a unique combination of specialized skills and available capable resources in order to address the resulting market opportunities.

With these capable resources at the ready, Calian can quickly assemble and deploy teams of professionals with the requisite skills to promptly assist customers implement their diverse operating and technology needs, whether it is the design and integration of a complex satellite ground system or the provision of specialized training, project management and operations services.

Calian's larger mainstream competitors often cannot duplicate the timeliness and reliability of Calian's services. Furthermore, efficient and flexible operating processes, combined with a strong financial condition allow Calian to profitably address lower margin business without compromising quality or performance, and this further distinguishes the Company from its competitors. Due to the Company's successful delivery and execution of projects, Calian experiences repeat business and a large number of contract renewals.

Calian's long-term direction is to continue to focus on providing its current service offerings to industry and government in specialized niche areas outside the mainstream market, avoiding competition with larger competitors. Calian will concentrate on those opportunities that entail agility and flexibility in both resources and capabilities to address customer requirements, be it in our traditional markets or new ones with similar needs.

Calian's growth plans include building upon and expanding its current capabilities and addressing a wider range of customers with a broader range of services without compromising its commitment to quality and delivery. Calian plans to continue augmenting its service offerings and capitalizing on its reputation for delivery, building on its satisfied base of blue-chip customers. In addition, the Company plans to continue to look for and acquire specialized companies that have also had success in profitably addressing niche markets and whose operating philosophies align with those of Calian. With growing revenues, an efficient back office, and the realization of economies of scale, the Company's objective is to enhance the returns to its shareholders and build an enterprise that excels in its selected markets.

For existing operations, the key is controlled profitable growth. Management expects that growth will not only extract economies of scale and provide additional returns, but will also provide an environment for its people to grow and advance within the Company. Calian's strengths in delivering specialized services in niche markets have so far permitted the Company to excel in a difficult business environment where many mainstream competitors have faltered. With this backdrop of continuing to do what Calian does best, there are no plans to materially alter the business of the Company.

The Company also plans to expand its service offerings and customer base through strategic acquisitions. Management has established acquisition criteria that are designed to identify candidates that best complement Calian's existing businesses. Using these criteria as a guideline, management will have a valuable filter to enhance decision making such that acquisitions are economically justified and can be expected to increase shareholder value.

Calian currently operates in two reportable segments, defined by their primary type of service offerings:

Systems Engineering involves planning, designing and implementing solutions that meet a customer's specific business and technical needs, primarily in the satellite communications sector. The Systems Engineering Division, also known as SED, has its principal office in Saskatchewan.

Business and Technology Services involves both short and long-term placements of personnel to augment customers' workforces as well as the long-term management of projects, facilities and customer business processes. The Business and Technology Services division (BTS) has its principal Canadian office in the Ottawa area and its US office in Virginia.

Systems Engineering Division

For over 40 years, SED's core strength has been communications systems engineering. SED builds equipment, systems, and networks to maximize utilization, efficiency and throughput. Its primary market is the satellite industry, but it also applies its capabilities and expertise to broader adjacent markets with needs for similar systems and services.

SED is a systems integrator and it works with its customers on a project basis to develop custom systems tailored to their specific operational requirements. From one project to the next, SED attempts to reuse system architecture, core software modules, and custom hardware to reduce development time, cost and technical risks. SED's manufacturing facility, initially created to support its communication systems engineering group, now also provides an on-going base of business that helps offset the ebb and flow of core project work.

SED's strengths are renowned around the world with exports typically accounting for more than 80% of annual sales. This compares to a Canadian space industry average of 50%. Customers often deploy our systems to other locations and we have systems operating on six continents.

SED designs and manufactures equipment for the satellite ground-based infrastructure market. Commercial satellite fleets, which have not been replenished during recent capital expenditure freezes, are ageing and lacking capacity to accommodate recent increases in transponder demands. These increased demands are being driven by applications like HDTV and mobile broadcast, military use of commercial satellites and the ongoing need to replace the existing capacity of satellites approaching end-of-life. Accordingly, new business opportunities are being generated and for the most part, the industry has recovered.

The introduction of HDTV and the wide acceptance of Digital Audio Radio are also presenting opportunities for additional capacity and enhancements. With recent world events, demand for reliable mobile communications for disaster relief has now become center stage. In this regard, there are three new US programs with dual mode handset initiatives which will take advantage of satellite availability when required and otherwise use lower cost cellular infrastructure. We have won a ground segment role on each of the three programs initiated to date and expect future opportunities from these entities to unfold.

Overall, the business environment for the SED division has improved and industry players are optimistic that the recent recovery from the slump experienced in the last few years is sustainable. Inmarsat and Intelsat, who have both operated under restricted capital expenditure philosophies for the last few years, are increasing capital spending which should bode well for integrators such as SED. The one major obstacle is the current credit crisis, which is hampering the ability of start-ups and certain existing players to get the funding or refinancing needed to drive their initiatives forward. Of course, the competition will continue to be fierce as competing companies look to fill their available capacity.

While the satellite communications sector has been the core of SED's business, the contract manufacturing group is still substantial, accounting for more than 25% of SED revenues. We focus on opportunities requiring low volume and high reliability manufacturing; qualities that are well suited to defence applications. These attributes also provide effective immunization from offshore competitors.

Overall, the recovery in the satellite sector, combined with the strength in the manufacturing business, provides for a positive outlook for the SED division.

2008 was a very successful year for the SED Division. Major projects signed late in 2007, provided a solid revenue base as we entered 2008. Once again, the major programs in the Mobile Satellite Communications market contributed extensively to revenue. The ICO system is now complete and we are well into the installation phase of both Terrestar and MSV. All of these programs are being executed according to our internal schedules and budgets. Inmarsat's decision to launch the 3rd I4 satellite resulted in a number of contracts for RF Systems, an IOT System and SSMS4 systems for their new gateway in Hawaii. In addition, we were awarded an $8 million contract by Inmarsat to provide new Aeronautical gateway stations to support AERO services over the I4 satellites. As a result of these contracts Inmarsat was SED's largest customer this year.

We continue to provide upgrades and new services for XM Radio. In addition to contributing to revenue and profitability, these projects have allowed us to develop key technologies that are now being applied in other areas of the business.

Our manufacturing business grew considerably this year. The largest contributor to growth in this area has been KDS, our customer for wiring harnesses, sensors and controls and we expect continued growth in 2009 with this customer. This increased business resulted in significant staff growth in the manufacturing area.

Our manufacturing business with DRS continues, as they were successful in winning additional contracts for their MSTAR product for perimeter security applications. Late in 2008 SED received a contract valued at $12 million to manufacture 227 Aerial Head Assemblies. Programmatic tasks commenced immediately with deliveries scheduled through to April 2009. This large order is testament to the ongoing desirability of the product and DRS continues to pursue other major programs that may contribute to future revenue and profitability.

SED also enjoys repeat business on a smaller scale from many of its long-term customers for continued manufacturing of their products and test fixtures.

Also in 2008, we were successful in winning two large contracts for satellite operations and earth station hosting. As a result of these contracts, a new facility is being constructed under lease to house the antennas and equipment. This facility and the long-term operations contracts signed to date will provide an excellent vehicle for pursuing additional business in this market.

Overall, the division signed $73 million of new work in 2008 resulting in a healthy backlog of work entering 2009. The three major RF Systems contracts for new Mobile Satellite Systems provided excellent revenue in 2008 and will provide revenue, albeit at a reduced rate, in 2009. As these programs move to the initial operations phase, we expect to see opportunities develop for our Network Management Systems. In the Mobile Satellite Systems sector, our strategy will be to successfully execute our RF Systems projects, secure new network management business and look for opportunities in the Ancillary Terrestrial Components.

We anticipate continued growth within our manufacturing business, however, a very tight local labour market may challenge our growth plans.

With the continued volatility of the Canadian dollar, we will need to focus on increased productivity and maintain our disciplined approach to hedging to ensure we can maintain our margin targets.

In the longer-term, SED will continue to focus in areas of past successes and build on newly acquired expertise to branch out into additional adjacent markets.

Business and Technology Services Division

BTS is a leader in the business and technology services field, providing professional, technical and administrative personnel to meet and anticipate its customers' unique needs. Across Canada and in parts of the USA, we have a workforce of 1,900 individuals in both full and part-time capacities. Our primary market is the Canadian federal government, but we also provide services to large multi-national and Fortune 500 companies as well as to other departments within the federal government and to the Governments of the United States, Spain and Australia.

We are in the people business. We work with our customers to define their needs and satisfy their requirements through short and medium-term placements of personnel to augment customers' workforces (Staffing) or through the long-term management of projects, facilities and customer business processes (Outsourcing).

The division's success comes from its focus on delivering a quality service through careful attention to both customer and contractor needs. BTS is a continuous improvement organization and is accredited to Level 4 under the Progressive

Excellence Program of the National Quality Institute of Canada. In 2007, BTS received a gold level Canada Award of Excellence for Quality.

The major market for our BTS division continues to be the Canadian Federal government with an emphasis on the Department of National Defence (DND), particularly for outsourcing services. DND has been a major beneficiary of funding increases in recent budgets and some of the budget increases relate to strengthening personnel in both the regular and reserve forces and to supporting increased training and medical care. Both of these priorities target areas of expertise within the division. While DND has started to involve private contractors in all facets of their training to free up their relatively scarce military personnel for mission critical operational duties, the training priorities continue to shift due to the ever-changing needs related to off-shore deployments. Current emphasis is being placed on mission critical skills such as combat first aid, gunnery and driver training. This constant re-prioritization is indicative of the across-the-board skills shortage the Canadian Forces face, but also contributes to certain delays in their procurement process.

Demographics continue to work in our favour within the marketplace. Due to retirements, both the Federal Government and large corporations continue to lose large numbers of employees with in-depth knowledge of their internal workings. In many cases the remaining employees are not yet able to assume additional responsibilities. This has created a necessity for these entities to re-acquire this lost knowledge. The BTS division has placed a special emphasis on attracting retirees with their extensive corporate knowledge and expertise, and accordingly has been successful in assisting them in bridging the knowledge gap while they train and mentor replacement staff. At the present time, we continue to see increased demand for this solution and will continue to take advantage of this trend to provide "ready made" support services to our customers.

In order to cope with the backlog of procurement, federal government departments are implementing new processes and tools. In the Information Technology and Management (IT/IM) arena, the trend to larger, more complex ERP systems continues. New installations continue to provide opportunities; however system upgrades, enhancements and migrations are assuming an ever increasing share of the IT/IM budgets and hence our business opportunities. This is particularly the case in many larger organizations where legacy system databases are being mandated to interface with these ERP systems. Within the federal government particularly, there is not only a need for new applications but also a need to provide access to both the application and the information in its underlying database. Government wide, there is a greater focus on developing and supporting wider web access coupled with an even greater attention to the associated security concerns of protecting the users and their data. Accordingly, we continue to focus on related business development activities and the investment of internal resources to accommodate these new approaches.

Specifically in 2008, BTS did not see a significant increase in the level of services provided to its existing customers as lengthy delays in the federal procurement system resulted in customers constricting some of their requirements until further funding could be secured. In order to correct this situation, during 2008, several long-term customers re-competed their contracts early in order to increase the level of annual funding and to ensure the contracts would be in effect prior to the expiration of existing funding. Following this trend, in May 2008 the BTS division was awarded an early renewal contract with DND for the provision of professional services for the design, management and delivery of courses with respect to the training of military aircraft technicians at the Canadian Forces School of Aerospace Technology and Engineering (CFSATE). The initial three-year contract is valued at $30 million with three, one-year options for another $10 million per year. Activities are currently ramping up under this contract and if exercised to its fullest potential, will represent a significant increase in Calian's support to CFSATE in Borden. Also, at September 30, 2008, the BTS Division had submitted proposals to renew a substantial amount of existing business. If successful, these proposals could represent significant organic growth within our existing contracts.

During the year, the BTS division was also successful in re-winning a contract with DND to supply Driver Wheeled Training instructors for the Canadian Forces at bases located across the country. This new contract is expected to generate over $4 million per year in revenue. In addition, throughout the year, several new smaller contracts within DND were won to supply various services such as simulation operations support, instructional design support, subject matter expertise support and course instructors to a number of Canadian Forces bases in Canada. The Division also signed contracts for physician services with new customers such as Veterans Affairs and the RCMP.

BTS enters 2009 with a strong backlog of work and excellent opportunities on submitted proposals. In addition, we are also seeing an increase in the number of new training opportunities being competed. Therefore, we expect that during the coming year, we will experience an increase in training revenue as these new contracts come on stream. However, the magnitude of the expected revenue increase will be greatly influenced by the timing of the contract awards.

With the Health Services Support contract, we are now considered a major player in private sector heath care delivery. The existing DND contract has funding room for significant increases in activity but these have not yet materialized and the planned increased investment in mental health resources has yet to be approved. Until these new resources are authorized, we do not expect to see growth within this contract and we presently do not expect authorization to occur in the coming year. However, during the past year we met with some success in signing small contracts for the supply of physicians to other smaller government departments. These contract wins have opened the door for us to pursue increased requirements within these departments and our challenge in the coming years is to demonstrate that the DND model can be tailored to fit their smaller health care environments.

The IT/IM markets continue to offer significant potential. The increasing complexity of both business and government, coupled with the ever increasing demand for information is driving the need for sophisticated information management and information sharing systems. The level of sophistication, particularly in the ERP realm, often requires specialized resources not often found in-house and accordingly is driving demand for outside specialists. Our traditional staffing model and our expertise in the areas of general IT and ERP puts us in a strong position to address these requirements. Our SSD service offerings are well positioned and competitively priced in the local Ottawa market and we expect to increase our level of business within our key customer departments. The recently introduced omnibus IT staffing supply arrangement for the Federal Government, called TBIPS (Task Based Information and Professional Services) is gaining traction and we have been successful in winning new business under this vehicle. Several of the larger departments are early proponents and appear to be favouring this tool to clear their backlog of IT support requirements. We expect that this momentum will continue into the new year.

In the long-term, BTS will continue to focus in areas where it has been successful in the past and will build on newly acquired expertise to branch out into additional adjacent markets.

Backlog

The Company's backlog at September 30, 2008 was $940 million with terms extending to fiscal 2014. This compares to $960 million reported at the end of September 2007. Contracted Backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas Option Renewals represent customers' options to further extend existing contracts under similar terms and conditions.

Most fee for service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value. The following table represents management's best estimate of the backlog realization for 2009, 2010 and beyond based on management's current visibility into customers' existing requirements.

Management's estimate of the realizable portion (current utilization rates and known customer requirements) is less than the total value of signed contracts and related options by approximately $389 million. The majority of this amount relates to the health services support contract. Based on existing requirements, the customer for the health services support contract does not foresee a significant increase in spending in future years. Should additional requirements for the Company's services under these contracts not materialize; the excess will not be realized. The Company's policy is to reduce the reported contractual backlog once it receives official confirmation from the customer that indicates the utilization of the full contract value will not materialize.

(dollars in millions)	Fiscal 2009	Fiscal 2010	Beyond 2010	Estimated realizable portion of Backlog	Excess over estimated realizable portion	TOTAL
Contracted Backlog	$ 151	$ 40	$ 19	$ 210	$ 179	$ 389
Option Renewals	10	43	288	341	210	551
TOTAL	$ 161	$ 83	$ 307	$ 551	$ 389	$ 940
Business and Technology Services	$ 106	$ 80	$ 294	$ 480	$ 389	$ 869
Systems Engineering	55	3	13	71	-	71
TOTAL	$ 161	$ 83	$ 307	$ 551	$ 389	$ 940

Selected Annual Information

(dollars in millions, except per share data)

	2008	2007	2006
Revenues	$ 193.2	$ 189.9	$ 182.8
Net earnings	$ 10.5	$ 9.2	$ 6.6
Net earnings per share	$ 1.27	$ 1.10	$ 0.78
Total assets	$ 85.9	$ 72.7	$ 68.2
Dividend per share	$ 0.54	$ 0.42	$ 0.33

2008 Results of Operations

Earnings before other income and expense, interest and income taxes were $15,165 in 2008 compared with $13,146 in 2007 and net earnings were $10,509 for the year compared with $9,205 in the previous year. The Company completed the year with $27,327 of cash compared to $18,077 at the end of 2007.

Revenues

	2008	2007	% change
SED revenues	$ 59,702	$ 55,856	7%
BTS revenues	$133,463	$ 134,003	-
Consolidated revenues	$193,165	$ 189,859	2%

The general business environment in 2008 continued to be very competitive. The Company began the year with $150 million of its backlog to be earned in 2008. This base of work combined with the win of several larger contracts during 2008 resulted in a solid revenue stream for the year.

SED revenues improved over the prior year as a result of continued strength in the satellite industry combined with strong demand for our manufacturing services. It should be noted that due to the project nature of its business, the SED division is susceptible to significant variation in volumes of activity from period to period.

BTS was able to maintain revenues at approximately the same level as in the prior year despite a very slow start to the year. The tightening of federal government spending during the second half of 2007 carried into 2008. However, during the second half of 2008, an increase in both the outsourcing and staffing revenues were achieved due to additional demand and organic growth within new and existing long-term contracts.

The Company derives a significant portion of its revenues from the Government of Canada. During the year 2008 and 2007, 59% of revenues were related to contracts with various departments and agencies of the Government of Canada. Both of the Company's divisions conduct business with this major customer.

Management expects that the marketplace in 2009 will continue to be very competitive. The market conditions for SED are expected to be stable and should present new opportunities in 2009. The expected renewal of several large BTS contracts with the federal government provides additional optimism as we enter 2009. However, the timing of future contract awards will ultimately determine BTS revenue growth for the next 12 months. While the Company begins the year with $161 million of backlog to be earned in 2009, the above noted variables will have an impact in revenues ultimately realized. Overall, management is expecting modest increases from the level of business achieved in 2008.

Cost of revenues and Gross profit

	2008	2007	% change
SED gross profit	$ 14,451	$ 12,068	20%
As a percentage of SED revenues	24.2%	21.6%	
BTS gross profit	$ 23,388	$ 23,809	(2%)
As a percentage of BTS revenues	17.5%	17.8%	
Consolidated gross profit	$ 37,839	$ 35,877	5%
As a percentage of consolidated revenues	19.6%	18.9%	

The Company's cost of revenues includes all direct costs incurred in the provision of its products and services. These costs include all expenses associated with direct full-time staff, contract staff and subcontractors. They also include other direct costs including the landed cost of hardware and software sold as components of a solution, travel and living expenses necessary in the delivery of the services, and provision for warranty where applicable.

The consolidated gross margin for 2008 was positively impacted by the increase in realized margins at the SED division.

SED reported above average gross margin due to an increased labour component combined with excellent project execution and retirement of risk on certain projects.

BTS gross margin is in line with the prior year as its revenue mix remained consistent with 2007.

Because of the significant difference in gross margin between each of the two divisions, the overall gross margin of the Company is dependent on the relative level of revenue generated from each division. The highly competitive environment faced by SED and BTS coupled with the volatility of the Canadian dollar is expected to impact margins. By continuing to focus on execution, management believes that realized margins in the near term can be maintained at current levels.

Selling and marketing

	2008	2007	% change
Selling and marketing	$ 4,854	$ 4,973	(2)%
As a percentage of consolidated revenues	2.5%	2.6%	

Selling and marketing expenses are marginally lower than in the prior year and are expected to increase slightly over the 2008 level as the Company concentrates on broadening its customer base and expanding its service offerings to new markets.

General and administration

	2008	2007	% change
General and administration	$ 13,209	$ 12,926	2%
As a percentage of consolidated revenues	6.8%	6.8%	

As a result of the Company's continuous cost control activities, expenditure increases were kept in line with the increase in business. Looking ahead, management believes that the Company has the capacity for an increased level of business without significantly affecting general and administration costs.

Facilities

	2008	2007	% change
Facilities	$ 3,118	$ 3,017	3%

Facility expenses, which include costs associated with office space, have been relatively stable over the past several years. 2008 costs were somewhat higher as minor repairs were required to certain leased facilities. Overall facility costs are not expected to increase significantly in 2009.

Commensurate with the exit of e-business in May 2001, Calian consolidated its Ottawa-based personnel into one building while subletting another building that it had begun to lease in June 2000. The Company's facility costs exclude lease and operating costs related to the excess space. During 2005, the Company renegotiated its lease with the sub-tenant through to 2010 for a significant portion of the excess space at current market rates. As a result, the Company is required to assume a portion of the costs associated with this facility. Management believes that the current provision of $752 will be sufficient to cover the Company's share of the costs. Management believes that the existing facilities will be sufficient for the foreseeable future.

Amortization of equipment

	2008	2007	% change
Amortization of equipment	$ 1,062	$ 1,193	(11%)

The Company does not require a significant amount of new capital every year. The Company's BTS operations were moved to new facilities at the end of 2008. However, the amortization level in the future is not expected to vary significantly from current levels.

Amortization of intangibles

	2007	2007	% change
Amortization of intangibles	$ 312	$ 312	0%

During 2005, the Company acquired intangibles as a result of its acquisition of Titan Consulting Group Ltd. These intangibles are amortized over their expected useful life, not exceeding five years. The remaining value of intangibles of $80 will be amortized in 2009.

Stock option compensation

As indicated in Note 8, during 2007 the Company granted 165,000 options and recorded $119 during the year and $310 in 2007 of stock compensation expense based on the vesting period. No options were granted in 2008.

Interest income

Interest income is earned on the Company's cash and is shown net of the Company's interest expense. The increase in interest income from $958 in 2007 to $1,266 in 2008 is largely the result of an increase in cash balances.

Unrealized gain on fair value of conversion options of long-term investment

The Company recorded a loss of $338 for the year relating to the fair value of conversion options of long-term investment.

Income tax expense

The Company reports its results on a fully taxed basis. The provision for income taxes for 2008 was $5,584 or 34.7% of earnings before income taxes compared to $5,005 or 35.2% of earnings before income taxes in 2007. The 2008 income tax expense included adjustments related to the prior year income tax return. The 2007 income tax expense was positively impacted by the non-taxable gains related to the valuation of the long-term investment. As a result of changes in prescribed federal and provincial tax rates, the effective tax rate for 2009, prior to considering the impact of non-taxable transactions, is expected to be approximately 33.5%.

Net earnings

The Company reported net earnings of $10,509 or $1.27 per share basic and diluted for 2008 compared to $9,205 or $1.10 per share basic and diluted in 2007.

Selected Quarterly Financial Data

(dollars in millions, except per share data)

	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07
Revenues	$ 48.9	$ 51.0	$ 47.4	$ 45.9	$ 45.7	$ 48.2	$ 50.9	$ 45.1
Net earnings	$ 2.7	$ 3.3	$ 2.3	$ 2.2	$ 2.1	$ 2.5	$ 2.5	$ 2.1
Net earnings per share								
Basic	$ 0.33	$ 0.40	$ 0.28	$ 0.26	$ 0.26	$ 0.30	$ 0.30	$ 0.24
Diluted	$ 0.33	$ 0.40	$ 0.28	$ 0.26	$ 0.26	$ 0.30	$ 0.30	$ 0.24

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays. Typically the Company's first and last quarter will be negatively impacted as a result of the Christmas season and summer vacation period. During these periods, the Company can only invoice for work performed and is also required to pay for statutory holidays. This results in reduced levels of revenues and a drop in gross margins. This seasonality may not be apparent in the overall results of the Company depending on the impact of the realized sales mix of its various projects.

The full text of the Company's fourth quarter management discussion and analysis can be found on SEDAR at www.SEDAR.com.

Liquidity and Capital Resources

Calian's net cash position was $27,327 at September 30, 2008, compared to $18,077 at September 30, 2007.

	2008	2007
Cash flows from operating activities before changes in working capital	$ 12,044	$ 10,703
Changes in working capital	6,654	(4,104)
Cash flows from operating activities	18,698	6,599
Cash flows used for financing activities	(7,547)	(4,405)
Cash flows used for investing activities	(2,029)	(936)
Currency translation	128	(199)
Increase in cash	$ 9,250	$ 1,059

Operating activities

Cash flows from operating activities in 2008 improved by $12,099 compared to 2007 due to increased profitability, positive changes in working capital and a significant increase in advance customer payments. Working capital elements changed in line with the ebbs and flows of the business. The market for the Systems Engineering Division is characterized by long-term contracts with billings tied to milestones achieved, which often results in significant working capital requirements. Conversely, given the nature of this business, it is sometimes possible to negotiate advance payments on contracts. Such advance payments give rise to unearned revenue that will be realized as revenue over the course of the contract. As at September 30, 2008, the Company's total unearned revenue amounted to $12,290. This compares to $5,160 one year earlier.

Financing activities

Dividend

As a result of continuing earnings and a strong cash position, the Company once again increased its dividend in 2008. The Company paid $4,453 in dividends or $0.54 cents per share compared to 2007 when the Company paid $3,525 in dividends or $0.42 cents per share. The Company intends to continue with its quarterly dividend policy for the foreseeable future.

Shares

During 2008, the Company repurchased 264,500 common shares at an average price of $12.53 and during 2007 the Company repurchased 87,100 common shares at an average price of $12.98 through its normal course issuer bids.

At September 30, 2008 there were 165,000 options outstanding at an average price of $13.22 expiring at various dates between February 4, 2012 and August 21, 2012.

At September 30, 2008 there were 8,098,335 common shares outstanding and as of the date of this Management Discussion and Analysis, there were 7,849,135 common shares outstanding.

Investing activities

Equipment expenditures

Calian acquired $2,029 in equipment, furniture and fixtures during 2008, compared to $1,136 during 2007. Increase in equipment purchased in 2008 relates to leaseholds improvement associated with the move of the BTS office to new leased premises. During 2009, expenditures are expected to be in line with normal levels. At September 30, 2008 there were no significant commitments to expend capital.

Capital resources

At September 30, 2008 the Company had a short-term credit facility of $10,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company. Management believes that Calian has sufficient cash resources to continue to finance its working capital requirements and pay a quarterly dividend.

Contractual obligations

Payments due:	Total	<1 year	1-3 years	4-5 years	>5 years
Operating leases	$ 7,436	$ 3,084	$ 3,124	$ 1,228	-
Purchase obligations	13,405	13,311	93	-	-
Total contractual obligations	$ 20,841	$ 16,395	$ 3,217	$ 1,228	-

Purchase obligations include agreements to purchase goods and services that are enforceable and legally binding. They do not include agreements that are cancellable without penalty.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements at September 30, 2008.

Operating leases

The Company leases various premises and office equipment through operating leases.

Related party transactions

There were no transactions with related parties during 2008 and 2007.

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the Company's financial condition and results of operations. On an on-going basis, management reviews its estimates and assumptions, including those related to revenue recognition on fixed-price projects, contingencies, estimated amounts for income taxes, allowance for doubtful accounts, valuation of goodwill, valuation of intangibles and valuation of investment. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances; actual results could differ from those estimates.

Revenue recognition

The Business and Technology Services Division's revenue is derived primarily from per-diem contracts where revenue is recognized when the services are provided. However, a significant portion of the Systems Engineering Division's revenue is derived from fixed-price contracts. Revenue from these fixed-price projects is recognized using the percentage of completion method using management's best estimate of the costs and related risks associated with completing the projects. The greatest risk on fixed-price contracts is the possibility of cost overruns. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project management system combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage completion.

Contingencies

From time to time the Company is involved in claims in the normal course of business. Management assesses such claims and where considered likely to result in a material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The Company does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

Income taxes

The Company records future income tax assets and liabilities related to deductible temporary differences. The Company assesses the value of these assets and liabilities based on their realizability given management assessments of future taxable income.

Allowance for doubtful accounts

The Company has extensive commercial history upon which to base its provision for doubtful accounts. Due to the nature of the industry in which the Company operates, the Company does not create a general provision for bad debts but rather determines bad debts on a specific account basis. Due to the blue-chip list of customers, the Company's allowance for doubtful accounts at September 30, 2008 and 2007 was minimal.

Goodwill

Goodwill is tested for impairment annually or more frequently when events occur or circumstances arise that could indicate a reduction in its fair value. Testing for impairment is accomplished by determining whether the fair value of the reporting unit exceeds the net carrying value as of the assessment date. If the fair value is greater than the carrying amount, no impairment is necessary. In the event the carrying amount exceeds the fair value, an impairment charge may be required. The determination of fair value is based on management's estimate of future results of operations of the reporting unit using reasonable assumptions relating to growth levels, expected costs, expected business environment and the Company's weighted average cost of capital.

Intangibles

Intangible assets are tested for recoverability whenever events or circumstances indicate that the carrying amounts may not be recoverable. Testing for impairment is accomplished by determining whether the fair value of the intangibles exceeds the net carrying value as of the assessment date. In order to allocate the cost of intangible assets over their useful lives, estimates of the duration of their useful lives must be carried out.

Investment

The investment in Med-Emerg is reviewed for events or circumstances that indicate a loss in value that is other than a temporary decline. If it is determined that a loss in value that is other than a temporary decline has occurred, the investment would be written down. The write-down would be included in the determination of net income. The determination of the loss is based on management's estimate of future results of operations of Med-Emerg, using reasonable assumptions relating to growth levels and market trends. Based on the current outlook, management believes that there has been no other than temporary decline in value at September 30, 2008.

Adoption of New Accounting Policies During The Year

For the year ended September 30, 2008, the Company adopted the following accounting recommendations.

Capital management

Section 1535, Capital disclosures, requires the Company to disclose information about the Company's objectives, policies and processes for the management of its capital.

Financial Instruments – Disclosures and Presentation

Section 3862, Financial Instruments – Disclosures, and 3863, Financial Instruments - Presentation replace section 3861, Financial Instruments - Disclosure and Presentation. These sections require the disclosure of information with regards to the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Impact of Accounting Pronouncements Not Yet Implemented

Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs will be implemented for the year and interim periods beginning October 1, 2008. The new Section will be applicable to the Company's fiscal years beginning on October 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

The Canadian Accounting Standards Board has recently confirmed that Canadian publicly accountable enterprises will be required to report under International Financial Reporting Standards (IFRS) as replacement guidance for the Canadian generally accepted accounting principles (Canadian GAAP). IFRS uses a conceptual framework similar to the current Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. The changeover will occur no later than fiscal year beginning January 1, 2011. The Company expects to issue its first financial statement in accordance with IFRS effective with its three-month period ending December 31, 2011. In order to prepare for the conversion to IFRS, the Company is developing an IFRS changeover plan. The Company will begin reporting on its changeover plan during the first quarter of 2009.

Management's Conclusion on the Effectiveness of Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of September 30, 2008, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

Management's Conclusion on the Design of Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the design of the Company's internal control over financial reporting as of September 30, 2008, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding reliability of financial reporting for external purposes in accordance with Canadian GAAP.

During the most recent interim quarter ending September 30, 2008, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risk Factors

The Company is subject to a number of risks and uncertainties that could significantly affect the Company's financial condition and future results of operations. The Company has a comprehensive planning process where risks are identified and plans initiated to minimize risks wherever possible. The Systems Engineering and Business and Technology Services divisions face some or all of the following risks and uncertainties:

Competition for contracts within key markets

The markets for the Company's services are intensely competitive, rapidly evolving and subject to technological changes. The principal competitive factors in the Company's markets are quality, performance, price, timeliness, customer support and reputation. Calian has a disciplined approach to management of all aspects of its business. The Company is a proponent of quality management; SED is registered under ISO 9001-2000 standards and BTS is accredited at Level 4 of the Progressive Excellence Program by the National Quality Institute. This approach to management was developed to help the Company ensure that its employees deliver services consistently according to the Company's high standards and based on strong values underlying its client-focused culture.

The availability of qualified professionals

Competition from other firms has a two-fold impact on the Company. The Company must not only vie for qualified employees for its own operations but must have ready access to a large pool of qualified professionals to satisfy contractual arrangements with customers. The Company mitigates these factors through a number of means. The Company's performance driven remuneration policies and its favorable working environment are conducive to attracting ambitious, qualified professionals. As a supplier of professional employees through outsourcing contracts, the Company regularly establishes relationships with a significant number of professionals in key markets.

Performance on fixed-price contracts

A large percentage of SED's contracts are based on a fixed price for the provision of a specified service against an agreed delivery schedule. These fixed-price contracts at times involve the completion of large-scale system engineering projects. There is a risk in all fixed-price contracts that the Company will be unable to deliver the system within the time specified and at the expected cost. The Company employs sophisticated design and testing processes and practices, which include a wide range of stringent factory and on-site acceptance tests with criteria and requirements jointly developed with the customer. However, non-performance could result in a customer being in a position to terminate the contract for default, or to demand repayments or penalties. Program management methodologies have been implemented to adequately manage each project and any customer change, and to identify and mitigate potential technical risks and related cost overruns. In addition, the Company employs procedures to ensure accurate estimating of costs and performs regular detailed reviews of progress on each project.

Non-performance of a key supplier or contractor

The Company's business is often dependent on performance by third parties and subcontractors for completion of contracts for which the Company is the prime contractor. Subcontractors for large systems are selected in concurrence with the customer's requirements, and if not directed by the customer, are selected through a competitive bid or negotiated process. Most major development subcontracts are established as fixed-price contracts. The Company believes that these subcontractors have an economic incentive to perform such subcontracts for the Company. However, no company can protect itself against all material breaches, particularly those related to financial insolvency of the subcontractors or to cost overruns by subcontractors. Risks include a significant price increase in those few subcontracts that are not fixed-price, delay in performance, failure of any major subcontractor to perform or the inability of the Company to obtain replacement subcontractors at a reasonable price. The performance of key subcontracts is closely monitored as part of the Company's project management process to promptly identify potential issues and develop remedial actions.

Rapidly changing technologies and customer demands

The markets in which the Company operates are characterized by changing technology and evolving industry standards. The Company keeps pace with developments in the industries it serves and actively monitors the evolution of these markets, thus ensuring that it can meet the evolving needs of its clients. The Company achieves this by continually recruiting professionals in high demand positions and providing regular training to ensure employee skills remain current. The Company's ability to anticipate changes in technology, technical standards and service offerings will be a significant factor in the Company's ability to compete or expand into new markets.

Government contracts

During 2008, approximately 59% of the Company's total revenues was derived from contracts with the Canadian government and its agencies. The government may change its policies, priorities or funding levels through agency or program budget reductions or impose budgetary constraints. Furthermore, contracts with governments, including the Canadian government, may be terminated or suspended by the government at any time, with or without cause. Although in the past the Company has not experienced any significant cancellations of previously awarded contracts by the Canadian government, there can be no assurance that any contract with the government will not be terminated or suspended in the future.

Backlog

Most fee for service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value. At September 30, 2008 the Company's backlog included $389 million of contract value in excess of the current estimated utilization levels. Should additional customer requirements for the Company's services under these contracts not materialize, this excess will not be realized.

Credit risk concentration with respect to accounts receivable

As the Company grows, it monitors the concentration of its business in its various segments and with particular customers. In management's opinion, the fact that the Company operates in two segments that provide some diversification of its customer base mitigates the potential impact on earnings and cash flow of problems related to an individual sector or customer.

Insufficient or inappropriate mix of work for fixed labour resources

Virtually all employees of SED are full time staff and represent a broad spectrum of unique skill sets. Accordingly, SED strives to secure sufficient labour sales that adequately match the skill sets. SED's business development practices are designed to dynamically adjust pursuits of contracts to address the sufficiency and mix of available resources.

Operational risk

Operational risk is managed through the establishment of effective infrastructure and controls. Key elements of the infrastructure are qualified, well-trained personnel, clear authorization levels and reliable technology. Controls established by documented policies and procedures include the regular examination of internal controls by internal employees as well as our auditors, segregation of duties, and financial management and reporting. In addition, the Company maintains insurance coverage and contingency plans for systems failures or catastrophic events.

Foreign currency risk

The Company operates internationally with approximately 26% of its business derived from non-Canadian sources. A substantial portion of this international business is denominated in major foreign currencies and therefore the Company's results from operations are affected by exchange rate fluctuations of these currencies relative to the Canadian dollar. The Company uses financial instruments, principally in the form of forward exchange contracts, in its management of foreign currency exposures. At September 30, 2008 the Company had various forward exchange contracts, which are explained in Note 16 to the Company's consolidated financial statements for the year ended September 30, 2008. The strengthening of the Canadian dollar relative to other foreign currencies may negatively impact the Company's competitiveness and increase pressure on margins for new work.

Lease commitment

As indicated in Note 12 of the Company's consolidated financial statements, during 2005, the Company renegotiated a new lease with a sub-tenant of the Company at its premises in Kanata, Ontario for a significant portion of the Company's excess space at current market rates. As a result, the Company will be required to assume a portion of the costs associated with this facility. Management believes that the current provision of $752 will be sufficient to cover the Company's share of such costs.

Sufficiency of insurance

The Company carries various forms of insurance to protect itself from a variety of insurable risks. However, such coverage may not be sufficient in extreme circumstances and accordingly there exists a risk to the Company. While the Company cannot reasonably insure itself for all events, it regularly reviews the availability, scope and amounts of coverage with its professional advisors and implements an approach balancing both cost and risk.

Medical malpractice

As a result of the Company winning the health services support contract from the Department of National Defence, the Company will be subject to additional risks associated with the medical profession. In order to mitigate such risks to the degree possible, the Company has obtained medical malpractice and professional liability insurance in accordance with the terms of this contract. In addition, it is a condition of employment for doctors, dentists and other medical professionals to maintain appropriate credentials, be in good standing with their medical associations and obtain medical malpractice insurance from their respective association.

Political and trade barriers

Revenues on certain projects are derived from customers in foreign jurisdictions and are subject to trade and political barriers relating to the protection of national interests. These barriers could have an adverse effect on our ability to win repeat business and attract new customers.

Consolidation of customer base

The satellite industry has experienced both restructuring and consolidation. As the newly formed entities focus on optimizing cash flows and gaining economies of scale, opportunities for systems integrators may be diminished thereby creating a very competitive environment with commensurate pressure on margins.

Long-term Outlook

Management believes the Company is well positioned for long-term sustained growth. The Company operates in markets that will continue to require the services that the Company offers. To further assure itself of a stable source of revenues, the Company will focus on increasing the percentage of its revenues derived from recurring business while pursuing new business in adjacent markets. Potential acquisitions, focused on adding complementary businesses to the Company's mix, could also be a possible source of growth.

The Systems Engineering Division had been working within a somewhat improved satellite sector for the last two years and the division is currently experiencing stable demand for its products and services. Management believes that new systems adopting the latest technologies will be required by customers to maintain and improve their service offerings. Management is also confident that systems such as MSTAR will continue to be in demand in the security and surveillance market although it cannot predict the timing and extent of future orders. The continued volatility of the Canadian dollar will impact the Systems Engineering Division's competitiveness when bidding against foreign competition on projects denominated in foreign currencies.

The Business and Technology Services Division's services are adaptable to many different markets. Currently, its strength lies in providing program management and delivery services to the Department of National Defence. Management believes that this department and many others within the federal government will continue to require more support services from private enterprises to supplement their current workforce. Although the division has seen delays and spending constraints within certain federal government departments, management believes that the types of service the division offers will continue to be attractive to government agencies going forward.

Additional Information

Additional information about the Company such as the Company's 2008 Annual Information Form and Management Circular can be found on SEDAR at www.SEDAR.com

Dated: November 30, 2008

Management's Statement of Responsibility

The accompanying consolidated financial statements of Calian Technologies Ltd. and its subsidiaries and all information in the annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements include some amounts that are based on management's best estimates that have been made using careful judgment.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling its responsibilities, management of Calian and its subsidiaries has developed and continues to maintain systems of internal accounting controls including written policies and procedures and segregation of duties and responsibilities.

Although no cost-effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this report through its Audit Committee. The Audit Committee meets periodically with management to discuss the results of audit examinations with respect to the adequacy of internal controls and to review and discuss the financial statements and financial reporting matters. The Audit Committee also meets periodically with the external auditors to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by Deloitte & Touche LLP, Chartered Accountants, who have full access to the Audit Committee with and without the presence of management.

Ray Basler
President and CEO
Ottawa, Ontario
November 11, 2008

Jacqueline Gauthier
Chief Financial Officer

Auditors’ Report

To the Shareholders of Calian Technologies Ltd.

We have audited the consolidated balance sheets of Calian Technologies Ltd. as at September 30, 2008 and 2007 and the consolidated statements of earnings and retained earnings, cash flow, comprehensive income and accumulated other comprehensive income (loss) and retained earnings for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
November 11, 2008

Calian Technologies Ltd.
Consolidated Statements of Earnings and Retained Earnings
Years ended September 30, 2008 and 2007
(Canadian dollars in thousands, except per share data)

	2008	2007
Revenues	$ 193,165	$ 189,859
Cost of revenues	155,326	153,982
Gross profit	37,839	35,877
Selling and marketing	4,854	4,973
General and administration	13,209	12,926
Facilities	3,118	3,017
Stock option compensation (Note 8)	119	310
Amortization of equipment	1,062	1,193
Amortization of intangibles	312	312
Earnings before other income and expense, interest income and income tax expense	15,165	13,146
Unrealized gain (loss) on fair value of conversion options of long-term investment (Note 4)	(338)	106
Interest income (Note 10)	1,266	958
Earnings before income tax expense	16,093	14,210
Income tax expense (Note 3):		
Current	5,534	4,911
Future	50	94
	5,584	5,005
NET EARNINGS	10,509	9,205
Retained earnings, beginning of year	31,852	28,448
Adjustment to opening retained earnings:		
Unrealized loss on fair value of conversion options and accreted interest on host contract component of long-term investment at October 1, 2006	-	(1,323)
Excess of purchase price over stated capital on repurchase of shares (Note 7)	(2,760)	(953)
Dividend	(4,453)	(3,525)
Retained earnings, end of year	$ 35,148	$ 31,852
Net earnings per share (Note 9)		
Basic	$ 1.27	$ 1.10
Diluted	$ 1.27	$ 1.10
Weighted average number of shares (Note 9)		
Basic	8,247,798	8,387,663
Diluted	8,247,798	8,387,663

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

Calian Technologies Ltd.
Consolidated Balance Sheets
As at September 30, 2008 and 2007

(Canadian dollars in thousands)

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	$ 27,327	$ 18,077
Accounts receivable	33,304	32,375
Work in process	4,761	3,744
Prepaid expenses and other	701	502
Future income taxes (Note 3)	2,060	1,111
Derivative assets (Note 16)	521	250
	68,674	56,059
LONG-TERM INVESTMENT (Note 4)	3,165	3,162
EQUIPMENT (Note 5)	4,494	3,527
INTANGIBLES (Note 6)	80	392
GOODWILL	9,518	9,518
	$ 85,931	$ 72,658
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 20,430	$ 16,958
Unearned contract revenue	12,290	5,160
Derivative liabilities (Note 16)	1,606	98
	34,326	22,216
COMMITMENTS (Note 11) AND CONTINGENCIES (Note 12)		
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	16,975	17,309
Contributed surplus (Note 8)	429	310
Retained earnings	35,148	31,852
Accumulated other comprehensive income (loss)	(947)	971
	51,605	50,442
	$ 85,931	$ 72,658

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

Approved by the Board:

Kenneth Loeb
Chairman

Richard Vickers
Director

Calian Technologies Ltd.
Consolidated Statements of Comprehensive Income
Years ended September 30, 2008 and 2007
(Canadian dollars in thousands)

	2008	2007
Net earnings	$ 10,509	$ 9,205
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operation, net of tax of nil	128	(199)
Unrealized gain (loss) on fair value of host contract component of long-term investment, net of tax of nil	(46)	12
Change in deferred gain (loss) on derivatives designated as cash flow hedges, net of tax of $1,012 (2007:$650)	(2,000)	1,153
Other comprehensive income (loss)	(1,918)	966
Comprehensive income	$ 8,591	$ 10,171

Calian Technologies Ltd.
Consolidated Statements of Accumulated Other Comprehensive Income (Loss) and Retained Earnings
Years ended September 30, 2008 and 2007
(Canadian dollars in thousands)

	2008	2007
Unrealized cumulative loss on translating financial statements of self-sustaining foreign operation	$ (394)	$ (522)
Unrealized cumulative gain on fair value of host contract component of long-term investment	385	431
Deferred gain (loss) on derivatives designated as cash flow hedges	(938)	1,062
Accumulated other comprehensive income (loss), end of year	(947)	971
Retained earnings, end of year	35,148	31,852
Accumulated other comprehensive income (loss) and retained earnings, end of year	$ 34,201	$ 32,823

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

Calian Technologies Ltd.
Consolidated Cash Flow Statements
Years ended September 30, 2008 and 2007
(Canadian dollars in thousands)

		2008		2007
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net earnings	$	10,509	$	9,205
Items not affecting cash				
Interest accreted on note receivable		-		(14)
Interest accreted on host contract component of long-term investment (Note 10)		(388)		(325)
Employee stock purchase plan compensation expense		42		34
Stock option compensation (Note 8)		119		310
Amortization		1,374		1,505
Future income taxes (Note 3)		50		94
Unrealized gain on fair value of conversion options of long-term investment (Note 4)		338		(106)
		12,044		10,703
Change in non-cash working capital				
Accounts receivable		(62)		(5,267)
Work in process		(1,017)		(23)
Prepaid expenses and other		(200)		(9)
Accounts payable and accrued liabilities		1,196		(618)
Unearned contract revenue		6,737		1,813
		18,698		6,599
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Issuance of common shares		220		252
Dividend		(4,453)		(3,525)
Repurchase of shares (Note 7)		(3,314)		(1,132)
		(7,547)		(4,405)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Note receivable		-		200
Equipment expenditures		(2,029)		(1,136)
		(2,029)		(936)
FOREIGN CURRENCY ADJUSTMENT		128		(199)
NET CASH INFLOW		9,250		1,059
CASH, BEGINNING OF YEAR		18,077		17,018
CASH, END OF YEAR	$	27,327	$	18,077
SUPPLEMENTARY INFORMATION:				
Income taxes paid	$	4,929	$	5,443

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

Calian Technologies Ltd.
Notes to the Consolidated Financial Statements
Years ended September 30, 2008 and 2007
(Canadian dollars in thousands, except per share data)

1. Nature of Operations

Calian Technologies Ltd. ("the Company"), incorporated under the Canada Business Corporations Act, and its wholly- owned subsidiaries provide technology services to industry and government.

2. Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Calian Ltd., Calian Inc., and Calian Technology (U.S.) Ltd. All transactions and balances between these companies have been eliminated on consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Company's management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Significant areas requiring the use of estimates relate to the determination of percentage of completion, estimated project costs and revenues for contract revenue recognition, contingencies, estimated timing of reversals of amount for income tax balances, allowance for doubtful accounts, valuation of investment and the impairment of goodwill. Actual results could differ from those estimates.

Revenue recognition

Revenue on fixed-price contracts is recognized at the net realizable value of services provided using the percentage of completion method based on management estimates. Billings and cash receipts in advance of amounts earned are reflected as unearned contract revenue. Provision is made for the entire amount of any expected losses on revenue contracts, if any, in the period in which they are first determinable. In addition, a provision for warranty claims is established when revenue is recognized, based on warranty terms and prior claim experience. As some contracts extend over one or more years, any revision in cost and profit estimates made during the course of the work are reflected in the accounting period in which the facts indicating a need for the revision become known.

Revenue derived from per-diem contracts is recognized in the period the services are provided.

Research and development costs and related investment tax credits

Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization. No such costs have been deferred at September 30, 2008 and 2007.

Research and development costs incurred under contract are included in cost of sales net of related government assistance. Investment tax credits are accounted for using the cost reduction method, whereby the benefit is recognized as a reduction in the cost of the related asset or expenditure when there is reasonable assurance the tax credits will be received and if it is more likely than not that they will be utilized to reduce taxes payable.

Stock-based compensation

The Company has a stock option plan for executives and other key employees and an employee stock purchase plan. The Company measures and recognizes compensation expense based on the fair-value of the stock or stock options issued using the Black-Scholes pricing model. Compensation expense is recorded as general and administration costs with an offsetting credit to contributed surplus. Consideration paid by employees on the purchase of shares or exercise of options and related amounts of contributed surplus is recorded as share capital when the shares are issued.

2. Accounting Policies (Continued)

Current monetary assets and liabilities

Cash is measured at fair value with changes in fair value recorded in net income. The carrying amount of cash approximates fair value. Accounts receivable and accounts payable and accrued liabilities are measured at amortized costs with interest accretion recorded in net income. Due to the short-term nature of these assets and liabilities, the carrying amounts approximate amortized cost.

Work in process

Work in process represents work performed but not invoiced and is recorded at net realizable value.

Long-term investment

The Company's long-term investment is considered a hybrid instrument as it includes rights of conversion to common shares. The conversion options are considered to be embedded derivatives to be separated and valued independently of the underlying preferred share investment "host contract". The conversion options are measured at fair value using a Black-Scholes model with changes in fair value recorded in net income. The host contract is adjusted to fair value each period end. The effective interest rate method is used to calculate interest income on the host contract. The remaining change in value of the host contract is recorded in other comprehensive income. Fair value of the host contract is determined using interest rates in effect at each reporting period. The sum of the fair value of both the embedded derivative and the host contract represents the fair value of the long-term investment.

Income taxes

The Company accounts for income taxes using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities using rates enacted or substantially enacted.

Equipment

Equipment, comprising equipment, furniture and fixtures, is recorded at cost, net of related government assistance and investment tax credits. Amortization is calculated using the declining balance method at rates ranging from 20% to 30% for all equipment other than leasehold improvements. Leasehold improvements are amortized on a straight-line basis over the term of the leases. The Company's policy is to review all long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying value of the asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Intangibles

Intangibles are comprised of acquired customer relationships, non-competition agreements, order backlog and consultant database. Intangibles are amortized on a straight-line basis over their estimated useful life not exceeding five years. The Company's policy is to review all long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying value of the intangibles exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of a reporting unit's goodwill exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. An impairment charge is recorded for goodwill that is considered impaired.

2. Accounting Policies (Continued)

The Company performs its annual review of goodwill on September 30th each year. Based on the impairment tests performed at September 30, 2008 and 2007, the Company concluded that a goodwill impairment charge was not required.

Foreign currency translation

Accounts denominated in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the rate of exchange in effect at year-end. Non-monetary items are translated at rates in effect on the dates of the transactions. Revenues and expenses are translated at rates in effect during the year except for amortization, which is translated at the same rate as the assets to which it relates. Gains and losses from translation are included in earnings in the period in which they occur.

The accounts of a wholly-owned subsidiary, which is considered to be a self-sustaining foreign operation, have been translated into Canadian dollars using the current rate method of foreign currency translation. Under this method, assets and liabilities are translated at the rate of exchange in effect at year-end. Revenues and expenses are translated at rates in effect during the year. Translation gains and losses are recorded in the cumulative translation adjustment as a separate component of other comprehensive income.

Financial instruments and risk management

The Company utilizes derivative financial instruments in the management of its foreign currency exposures. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

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

The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are recorded on the balance sheet at fair value with changes in fair value recorded in net income unless the derivative is designated as a cash flow hedge. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place at the end of the period. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded in other comprehensive income and is recognized in net income when the hedged item affects net income. The Company expenses transaction costs related to its foreign exchange contracts.

Financial Instruments – Disclosures and Presentation

Effective October 1, 2007, the Company adopted Section 3862, Financial Instruments – Disclosures, and 3863, Financial Instruments - Presentation. These sections require the disclosure of information with regards to the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Financial instrument classification is as follows:	Cash	Held for trading
	Accounts receivable	Loans and receivables
	Derivative assets and liabilities	Held for trading
	Long-term investment – Conversion option	Held for trading
	Long-term investment – Host contract	Available-for-sale
	Accounts payable and accrued liabilities	Other liabilities

Held for trading

Held for trading financial assets and liabilities are typically acquired for resale, derivatives or other financial assets and liabilities that are designated as held for trading. They are measured at fair value with changes in fair value flowing through income in the period.

2. Accounting Policies (Continued)

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized, when the cumulative gain or loss is transferred to other income.

Loans and receivables

Loans and receivables are recorded initially at fair value then are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded initially at fair value then accounted for at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred.

Comprehensive income

Comprehensive income includes net earnings and other comprehensive income (OCI). OCI refers to changes in net assets from certain transactions and other events and circumstances, other than transactions with shareholders. These changes are recorded directly as a separate component of shareholders' equity and excluded from net earnings. The Company's OCI includes the foreign currency translation adjustment for its US subsidiary that does not use the Canadian dollar as its measurement currency, the unrealized gain or loss on fair value of the host contract portion of its long-term investment and the change in fair value on the effective portion of derivatives designated as cash flow hedges where the hedged item has not yet been recognized in income.

Earnings per share

Diluted earnings per share is calculated based on the weighted average number of common shares outstanding during the period plus the effects of potentially dilutive common shares outstanding during the period. This method requires that the dilutive effect of outstanding options be calculated using the treasury stock method, as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of issuance, and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the period. Contingently issuable shares are included in the diluted earnings per share calculation once the actual level of earnings indicates that the conditions will be met to issue shares. The number of shares included is determined based on the earnings to date and the current market price of the shares at the end of the reporting period, if the effect is dilutive.

Capital management

Effective October 1, 2007, the Company adopted Section 1535, Capital Disclosures. This section requires the Company to disclose information about the Company's objectives, policies and processes for the management of its capital.

New accounting pronouncement

In 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. The new Section will be applicable to the Company's fiscal years beginning on October 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

(Canadian dollars in thousands, except per share data)

3. Income Taxes

The balances of future income tax assets at September 30, 2008 and 2007 represent the future benefits of temporary differences between the tax and accounting bases of liabilities, consisting mainly of amounts expensed for accounting purposes in advance of tax. None of the goodwill is expected to be deductible for tax purposes.

The following table reconciles the difference between the income taxes that would result solely by applying statutory tax rates to pre-tax income and the income taxes actually provided in the accounts:

	2008	2007
Earnings before income taxes	$ 16,093	$ 14,210
Tax provision at the combined basic Canadian federal and provincial income tax rate of 33.6% (2007: 36.0%)	5,406	5,120
Increase (decrease) resulting from:		
Permanent differences	72	(5)
Impact of rate reductions on valuation of future income tax assets	60	19
Other	46	(129)
Income tax expense	$ 5,584	$ 5,005

During 2008 (2007), the Company recorded $89 ($46) of investment tax credits related to $488 ($150) of research and development costs. These costs have been recorded in cost of revenues.

4. Long-term Investment

On July 11, 2006, the Company invested $3,623 in Med-Emerg International Inc. (Med-Emerg) in the form of convertible preferred shares. The investment cost included acquisition costs of $116. The preferred shares will be convertible into 8,750,000 common shares of Med-Emerg at the Company's option. After two years, Med-Emerg is also entitled to cause the preferred shares to be converted into common shares when trading volumes of Med-Emerg common shares exceed 600,000 shares and the weighted average share price is at least $0.46 USD in the preceding 60 days. On a fully converted basis, this investment represents a 13% interest based on the current number of common shares outstanding. In the event the shares are not converted by July 11, 2011, the preferred shares will be redeemed, and at the option of Med-Emerg, the face value will be satisfied either in cash or in Med-Emerg common shares based on the then fair market value of the common shares.

Fair value of long-term investment:	
Long-term investment, at cost	$ 3,623
Cumulative unrealized loss of conversion options	(1,623)
Cumulative interest accretion on host contract	780
Cumulative unrealized gain on fair value of host contract component	385
Fair value of investment at September 30, 2008	$ 3,165

The Company's long-term investment is considered a hybrid instrument as it includes rights of conversion to common shares. The conversion options are considered to be embedded derivatives to be separated and valued independent of the underlying host contract.

(Canadian dollars in thousands, except per share data)

4. Long-term Investment (Continued)

The conversion options are measured at fair value with changes in fair value recorded in net income. The fair value of the conversion options applies the following data and assumptions to the Black-Scholes option pricing model:

Med-Emerg share price at September 30, 2008	$	0.095
Risk free interest rate		2.21 %
Actual stock price volatility		121.6 %
Expected life of options		2.75 years

Under the Black-Scholes model, a one cent increase (decrease) in Med-Emerg share price would result in $59 increase (decrease) in the fair value of the conversion options. A 10% increase (decrease) in the volatility of Med-Emerg stock price would result in $57 increase (decrease) in the fair value of the conversion option. Med-Emerg shares are traded on the OTC Bulletin Board and currently trade in limited volume.

Fair value of the host contract component is determined using interest rates in effect at each reporting period. A 1% increase (decrease) to the interest rate would result in $69 decrease (increase) in the fair value of the host contract component. The interest rate used at September 30, 2008 is 13.22% and represents an approximation of the borrowing rate available for companies with risk profiles similar to Med-Emerg based on BBB credit rating.

5. Equipment

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	$ 1,332	$ 114	$ 1,218	$ 1,683	$ 1,489	$ 194
Equipment and furniture	10,336	7,060	3,276	9,974	6,641	3,333
	$ 11,668	$ 7,174	$ 4,494	$ 11,657	$ 8,130	$ 3,527

6. Intangibles

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Acquired customer relationships	$ 788	$ 788	$ -	$ 788	$ 602	$ 186
Non-competition agreements	480	400	80	480	296	184
Consultant database	88	88	-	88	66	22
Contractual arrangements with customers	126	126	-	126	126	-
	$ 1,482	$ 1,402	$ 80	$ 1,482	$ 1,090	$ 392

(Canadian dollars in thousands, except per share data)

7. Share Capital

Authorized: Unlimited number of common shares
Unlimited number of preferred shares issuable in series

Issued: Common shares as follows:

	2008		2007	
	Shares	Amount	Shares	Amount
Balance, beginning of year	8,345,581	$ 17,309	8,399,221	$ 17,236
Shares issued under stock option plan	-	-	10,000	24
Shares issued under employee stock purchase plan	17,254	220	23,460	228
Shares repurchased for cash	(264,500)	(554)	(87,100)	(179)
Balance, end of year	8,098,335	$ 16,975	8,345,581	$ 17,309

During 2008 (2007), the Company acquired 264,500 (87,100) of its outstanding common shares at an average price of $12.53 ($12.98) per share for a total of $3,314 ($1,132) including related expenses, through normal course issuer bids initiated in November 2007 and 2006. The excess of the purchase price over the average stated capital of the shares has been charged to retained earnings.

Employee stock purchase plan

The Company has an Employee Stock Purchase Plan (ESPP) under which most full-time employees may register once a year to participate in one of two offering periods. Eligible employees may purchase common shares by payroll deduction throughout the year at a price of 80% of the fair market value at the beginning of the initial offering period or may purchase common shares at a price of 90% of the fair market value at the beginning of the interim offering period. Such shares are issued from treasury once a year at the end of the offering periods.

A total of 500,000 common shares have been authorized for issuance under the plan. During 2008 (2007), the Company issued 17,254 (23,460) shares under the ESPP and employees subscribed to approximately 25,465 common shares, which will be issued during fiscal 2009 at an average price of $9.88. Since inception and including the issuance of shares in 2008, 241,840 shares have been issued under the plan. During 2008, the Company recorded compensation expense of $42 (2007: $34) relating to its ESPP.

8. Stock Options

The Company has an established stock option plan, which provides that the Board of Directors may grant stock options to eligible directors and employees. Under the plan eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. A total of 250,000 common shares have been authorized for issuance under the plan.

During 2007 the Company granted 165,000 options to directors and officers at an average price of $13.22 per share with 91,400 vesting immediately and 73,600 options vesting over a period of two years. The options have an expiry term of 5 years with 80,000 options expiring on February 4, 2012 and 85,000 options expiring on August 21, 2012.

(Canadian dollars in thousands, except per share data)

8. Stock Options (Continued)

At September 30, 2008 there were 165,000 options outstanding with a weighted average remaining contractual life of 3.63 years of which 127,800 were exercisable at a weighted average price of $13.22.

	2008		2007	
	Options	Weighted Avg. Exercise Price	Options	Weighted Avg. Exercise Price
Outstanding, beginning of year	165,000	$ 13.22	10,000	$ 2.45
Exercised	-	$ -	(10,000)	$ 2.45
Granted	-	$ -	165,000	$ 13.22
Outstanding, end of year	165,000	$ 13.22	165,000	$ 13.22

During 2008 under the fair value based method, compensation expense related to general and administration costs of $119 (2007: $310) was recorded with an offsetting credit to contributed surplus.

The compensation costs reflected in the consolidated financial statements were calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

Risk free interest rate	4.0%
Expected dividend yield	3.4%
Stock price volatility	31.9%
Expected life of options	3.3 years

The weighted average fair value of options granted during 2007 was $2.80 per option.

9. Earnings Per Share

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

	2008	2007
Weighted average number of common shares – basic	8,247,798	8,387,663
Additions to reflect the dilutive effect of employee stock options	-	-
Weighted average number of common shares – diluted	8,247,798	8,387,663

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted earnings per share. For 2008 and 2007, 165,000 options were excluded from the above computation of diluted weighted average number of common shares because they were anti-dilutive.

10. Interest Income

Interest income is comprised of the following amounts:

	2008	2007
Interest earned on cash balances	$ 878	$ 619
Accreted interest on host contract component of long-term investment	388	325
Accreted interest on note receivable	-	14
Interest income	$ 1,266	$ 958

(Canadian dollars in thousands, except per share data)

11. Commitments

The Company has lease agreements for office space and equipment with terms extending to the year 2013. The aggregate minimum rental payments under these arrangements are as follows:

2009	$ 3,084
2010	2,434
2011	690
2012	660
2013	568

12. Contingencies

During the year 2000, the Company entered into a 10-year lease for an office building in the Ottawa area expiring in April 2010. The Company currently has an agreement with a sub-tenant to lease a significant portion of the space for a period extending to the end of the lease period.The Company is required to assume the remaining portion of the costs associated with this facility. Unless the sub-lessee defaults on future payments, it is expected that the current provision of $752 will be sufficient to cover the Company's share of the costs. The lease payments including operating costs relating to the excess space amount to approximately $984 per year. During the year, the Company received lease revenues of $559 (2007: $554). The costs of the lease less the recovery from the sub-tenent is recorded as a reduction of the provision.

In the normal course of business, the Company is party to employee related claims. The potential outcomes related to existing matters faced by the Company are not determinable at this time. The Company intends to defend these actions, and management believes that the resolution of these matters will not have a material adverse effect on the Company's financial condition.

13. Capital Management

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

14. Guarantees

In the normal course of business, the Company enters into agreements that may provide for indemnification and guarantees to customers in transactions such as staffing, outsourcing and engineering.These indemnification undertakings and guarantees may require the Company to compensate customers for costs and losses incurred as a result of various events, including breaches of representations and warranties, intellectual property rights infringement, claims that may arise while providing services, or as a result of litigation that may be suffered by customers.The Company mitigates its responsibility by ensuring its revenue contracts do not contain clauses relating to liability for indirect or special damages such as loss of revenue or profit in all of its engineering agreements.The Company also mitigates the risk of loss by including similar indemnification clauses in the agreements entered into with its subcontractors.The term and nature of these indemnifications vary based upon the agreement, which often provides no limit. Consequently, the Company is unable to make a reasonable estimate of the maximum potential amounts that the Company could be required to pay to its customers. Historically, the Company has not been obligated to make significant payments under these indemnification clauses.

(Canadian dollars in thousands, except per share data)

15. Segmented Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer.

The Company operates in two reportable segments described below, defined by their primary type of service offering, namely Systems Engineering and Business and Technology Services.

- Systems Engineering involves planning, designing and implementing solutions that meet a customer's specific business and technical needs, primarily in the satellite communications sector..
- Business and Technology Services involves short and long-term placements of personnel to augment customers' workforces as well as the long-term management of projects, facilities and customer business processes.

The Company evaluates performance and allocates resources based on earnings before interest and income taxes. The accounting policies of the segments are the same as those described in Note 2.

For the year ended September 30, 2008

	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 59,702	$ 133,463	$ -	$ 193,165
Operating expenses	50,148	124,013	2,465	176,626
Amortization	519	855	-	1,374
Earnings before other expense, interest income and income tax expense	$ 9,035	$ 8,595	$ (2,465)	$ 15,165
Unrealized loss on fair value of conversion options of long-term investment (Note 8)				(338)
Interest income (Note 10)				1,266
Income tax expense (Note 3)				5,584
Net earnings				$ 10,509
Total assets other than cash and goodwill	$ 16,813	$ 32,196	$ 77	$ 49,086
Goodwill	-	9,518	-	9,518
Cash	-	-	27,327	27,327
Total assets	$ 16,813	$ 41,714	$ 27,404	$ 85,931
Equipment expenditures	$ 682	$ 1,347	$ -	$ 2,029

(Canadian dollars in thousands, except per share data)

15. Segmented Information (Continued)

For the year ended September 30, 2007

	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 55,856	$ 134,003	$ -	$ 189,859
Operating expenses	48,676	124,020	2,512	175,208
Amortization	665	840	-	1,505
Earnings before other income, interest income and income tax expense	$ 6,515	$ 9,143	$ (2,512)	$ 13,146
Unrealized gain on fair value of conversion options of long-term investment (Note 8)				106
Interest income (Note 10)				958
Income tax expense (Note 3)				5,005
Net earnings				$ 9,205
Total assets other than cash and goodwill	$ 16,254	$ 28,654	$ 155	$ 45,063
Goodwill	-	9,518	-	9,518
Cash	-	-	18,077	18,077
Total assets	$ 16,254	$ 38,172	$ 18,232	$ 72,658
Equipment expenditures	$ 748	$ 388	$ -	$ 1,136

Revenues from external customers are attributed as follows:

	2008	2007
Canada	74%	78%
United States	19%	19%
Europe	7%	3%

Revenues are attributed to foreign countries based on the location of the customer. No significant assets are held outside of Canada. Revenues from various departments and agencies of the Canadian federal government for the year ended September 30, 2008 and 2007 represented 59% of the Company's total revenues. Both operating segments conduct business with this major customer.

16. Financial Instruments and Risk Management

Market Risk

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

Foreign currency risk related to contracts

The Company is exposed to foreign currency fluctuations on its cash balance, accounts receivable, accounts payable and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of its foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge 100% of its foreign currency exposure. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

(Canadian dollars in thousands, except per share data)

16. Financial Instruments and Risk Management (Continued)

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

The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge ineffectiveness is insignificant.

The forward foreign exchange contracts primarily require the Company to purchase or sell certain foreign currencies with or for Canadian dollars at contractual rates. At September 30, 2008, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value September 30, 2008
BUY	15,669	USD	October 2008	$ 16,163	$ 512
SELL	433	EURO	October 2008	658	9
Derivative assets					$ 521
SELL	49,001	USD	October 2008	$ 50,547	$ 1,600
BUY	25	EURO	October 2008	38	1
BUY	446	GBP	October 2008	849	5
Derivative liabilities					$ 1,606

At September 30, 2007, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value September 30, Fair Value 2007
SELL	40,545	USD	October 2007	$ 40,581	$ 247
BUY	70	EURO	October 2007	99	-
BUY	254	GBP	October 2007	513	3
Derivative assets					$ 250
BUY	15,701	USD	October 2007	$ 15,715	$ 96
SELL	462	EURO	October 2007	653	2
Derivative liabilities					$ 98

(Canadian dollars in thousands, except per share data)

16. Financial Instruments and Risk Management (Continued)

A 10% strengthening (weakening) of the Canadian dollar against the following currency at September 30, 2008 would have decreased (increased) other comprehensive income by the amounts shown below.

	September 30, 2008
USD	$ 3,548
EURO	60
GBP	(84)
	$ 3,524

Foreign currency risk on US-based subsidiary

The Company is exposed to foreign currency fluctuations related to its net investment in a US-based subsidiary denominated in US dollars. The Company does not hedge its investment in the subsidiary as the currency position is considered long term in nature. At September 30, 2008 the net investment in the US-based subsidiary was $2,026. A 10% strengthening (weakening) of the Canadian dollar against the US dollar at September 30, 2008 would have decreased (increased) OCI by $190.

Interest rate risk

The Company is not directly exposed to interest-rate risk. However, the fair value of the host contract component of the long-term investment which is determined on a discounted cash flow basis will be affected by interest rate fluctuations. A 1% increase (decrease) to the interest rate would result in $69 decrease (increase) in the fair value of the investment.

Credit risk

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

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are for the most part, federal and provincial government departments and large private companies. A significant portion of the Company's accounts receivable is from long-time customers. At September 30, 2008 62% of its accounts receivable were due from the Government of Canada. Over the last five years, the Company has not suffered any credit related losses with any of its customers.

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

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

	2008	2007
Cash	$ 27,327	$ 18,077
Accounts receivable	33,304	32,375
Derivative assets	521	250
Long-term investment	3,165	3,162
	$ 64,317	$ 53,864

(dollars in thousands, except per share data)

16. Financial Instruments and Risk Management (Continued)

The aging of accounts receivable at the reporting date was:

	2008	2007
Current	$ 31,689	$ 31,581
Past due (61-120 days)	1,364	673
Past due (> 120 days)	251	121
	$ 33,304	$ 32,375

Based on historic default rates, the Company believes that there are minimal requirements for an allowance for doubtful accounts.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At September 30, 2008 the Company has a cash balance of $27,327 and has an unsecured credit facility, subject to annual renewal. The credit facility permits the Company to borrow funds up to an aggregate of $10 million. As at September 30, 2008 there were no direct borrowings under the Company's credit facility. All of the Company's financial liabilities have contractual maturities of less than 30 days.

Fair Value

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on September 30, 2008.

The fair value of the conversion options of the long-term investment is calculated using the Black-Scholes model that incorporates current market price, the contractual price and the volatility of the underlying instrument, the expected life of the option and the time value of money. The fair value of the host contract component of the long-term investment is calculated on a discounted cash flow basis using externally available yields used for investments of similar risk.

17. Pension Plan

The Company sponsors a defined contribution pension plan for certain of its employees. Required contributions have been fully funded to September 30, 2008. For the year 2008 (2007), an amount of $704 ($618) was expensed related to this pension plan.

18. Subsequent Event

On October 18, 2008 WorldSpace Inc. filed voluntary petitions for reorganization under Chapter 11 of the US Bankruptcy Code. The Company had certain contracts with WorldSpace and accordingly related assets are considered unrecoverable. In addition, the Company was required to unwind foreign exchange agreements related to future revenues expected from the WorldSpace contracts. The overall impact on net earnings is $267, which will be reflected in the first quarter earnings of fiscal 2009.

On October 22, 2008, Med-Emerg International Inc. (Med-Emerg) announced that it has entered into a definitive agreement with AIM Health Group Inc. (AIM) whereby Med-Emerg and AIM will merge in an all-stock transaction. The Company has entered into a voting agreement, via its preferred share investment in Med-Emerg, to vote in favor of the plan. As part of the plan, Calian will surrender its preferred shares in Med-Emerg in exchange for a secured convertible debenture of AIM with features similar to the preferred shares. The plan is subject to customary regulatory and court approvals. This transaction, once executed, is not expected to significantly impact the cash flows of the Company's investment. The accounting treatment to fair value the investment is expected to remain the same however, any impact to the financial statements will only be determinable at that time.

Notes

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Chairman, Calian Technologies Ltd.

Larry O'Brien
Municipal Politician

Major General (retired) C. William Hewson
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Chair of the Governance Committee

David Tkachuk
Senator
Chair of the Compensation Committee

Richard Vickers, FCA
Consultant
Chair of the Audit Committee

Paul Cellucci
Special counsel to McCarter and English, LLP

Ray Basler
President and CEO, Calian Technologies Ltd.

Common Share Information

The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol CTY.

Dividend Policy

The Company intends to continue to declare a quarterly dividend in line with its overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount of such dividends in the future.

Annual Meeting of Shareholders

The Annual General Meeting of the Shareholders of Calian will be held on February 6, 2009 at 2:00 p.m. at the Brookstreet Hotel, Ottawa, Ontario, Canada. All shareholders are invited to attend. The telephone number of the Brookstreet Hotel is 613.271.1800.