Condensed Consolidated Interim Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the three months ended March 31, 2018 and 2017
Unaudited

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Financial Position
(In thousands of U.S. dollars)

Unaudited

		March 31, 2018		December 31, 2017*
Assets				
Current assets:				
Cash	$	347,526	$	488,964
Accounts receivable		340,444		316,538
Unbilled revenue		87,816		64,109
Inventories		26,930		23,196
Other assets (note 5)		156,496		100,098
		959,212		992,905
Non-current assets:				
Property and equipment		57,508		53,817
Deferred income taxes		37,640		38,362
Other assets (note 5)		56,910		21,801
Intangible assets (note 6)		1,494,193		1,181,333
		1,646,251		1,295,313
Total assets	$	2,605,463	$	2,288,218
Liabilities and Shareholders' Equity				
Current liabilities:				
CSI Facility (note 7)	$	-	$	-
New CNH Facility (note 7)		41,234		96,398
TSS Membership Liability (note 9)		53,100		49,215
Accounts payable and accrued liabilities		362,717		379,573
Dividends payable		21,431		21,575
Deferred revenue		800,702		541,108
Provisions (note 10)		8,134		10,377
Acquisition holdback payables		67,434		42,867
Income taxes payable		28,773		31,028
		1,383,525		1,172,141
Non-current liabilities:				
TSS Membership Liability (note 9)		93,408		86,575
Debentures (note 8)		229,215		236,462
Deferred income taxes		165,657		148,961
Acquisition holdback payables		15,185		6,480
Other liabilities (note 5)		80,523		33,521
		583,988		511,999
Total liabilities		1,967,513		1,684,140
Shareholders' equity (note 12):				
Capital stock		99,283		99,283
Accumulated other comprehensive income (loss)		(30,905)		(26,739)
Retained earnings		569,572		531,534
		637,950		604,078
Subsequent events (notes 12 and 19)				
Total liabilities and shareholders' equity	$	2,605,463	$	2,288,218

See accompanying notes to the condensed consolidated interim financial statements.

* The Company initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 20.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Income
(In thousands of U.S. dollars, except per share amounts)

Three months ended March 31, 2018 and 2017
Unaudited

	2018	2017*
Revenue		
License	$ 43,819	$ 35,132
Professional services	142,170	112,413
Hardware and other	32,770	31,426
Maintenance and other recurring	499,700	376,355
	718,459	555,326
Expenses		
Staff	389,412	289,315
Hardware	17,797	16,320
Third party license, maintenance and professional services	61,471	50,003
Occupancy	19,132	13,436
Travel	18,267	15,824
Telecommunications	6,150	5,068
Supplies	4,610	3,872
Software and equipment	12,912	9,537
Professional fees	10,178	6,925
Other, net	13,266	9,172
Depreciation	6,651	5,299
Amortization of intangible assets	68,632	52,285
	628,478	477,056
Foreign exchange loss (gain)	(13,977)	1,494
TSS membership liability revaluation charge (note 9)	6,840	13,115
Share in net (income) loss of equity investee (note 5)	(235)	(49)
Finance and other expense (income) (note 13)	(8,887)	(21)
Bargain purchase gain	(105)	-
Finance costs (note 13)	5,216	5,258
	(11,148)	19,797
Income before income taxes	101,129	58,473
Current income tax expense (recovery)	26,492	24,108
Deferred income tax expense (recovery)	(7,907)	(6,068)
Income tax expense (recovery)	18,585	18,040
Net income	82,544	40,433
Earnings per share		
Basic and diluted (note 14)	$ 3.90	$ 1.91

See accompanying notes to the condensed consolidated interim financial statements.

* The Company initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 20.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(In thousands of U.S. dollars, except per share amounts)

Three months ended March 31, 2018 and 2017
Unaudited

		2018		2017*
Net income	$	82,544	$	40,433
Items that are or may be reclassified subsequently to net income:				
Net change in fair value of available-for-sale financial asset during the period		-		(1,314)
Net change in fair value of derivatives designated as hedges during the period		-		164
Amounts reclassified to profit during the period related to realized losses (gains) on available-for-sale financial assets		-		879
Foreign currency translation differences from foreign operations		(4,166)		2,891
Deferred income tax recovery (expense)		-		8
Other comprehensive (loss) income for the period, net of income tax		(4,166)		2,628
Total comprehensive income (loss) for the period	$	78,378	$	43,061

See accompanying notes to the condensed consolidated interim financial statements.

* The Company initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 20.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of U.S. dollars)

Unaudited

Three months ended March 31, 2018	Capital stock	Accumulated other comprehensive income/(loss)			Total accumulated other comprehensive income/(loss)	Retained earnings	Total*
		Cumulative translation account	Amounts related to gains/losses on available-for-sale financial assets	Amounts related to gains/(losses) on derivatives designed as hedges			
Balance at January 1, 2018	**$ 99,283**	**$ (26,739)**	**$ -**	**$ -**	**$ (26,739)**	**$ 531,534**	**$ 604,078**
Impact of change in accounting policy (note 20)	-	-	-	-	-	(23,314)	(23,314)
Total comprehensive income for the period:							
Net income	-	-	-	-	-	82,544	82,544
Other comprehensive income (loss)							
Net change in fair value of available-for-sale financial asset during the period	-	-	-	-	-	-	-
Net change in fair value of derivatives designated as hedges during the period	-	-	-	-	-	-	-
Amounts reclassified to profit during the period related to realized losses (gains) on available-for-sale financial assets	-	-	-	-	-	-	-
Foreign currency translation differences from foreign operations	-	(4,166)	-	-	(4,166)	-	(4,166)
Deferred tax recovery (expense)	-	-	-	-	-	-	-
Total other comprehensive income (loss) for the period	**-**	**(4,166)**	**-**	**-**	**(4,166)**	**-**	**(4,166)**
Total comprehensive income (loss) for the period	**-**	**(4,166)**	**-**	**-**	**(4,166)**	**82,544**	**78,378**
Transactions with owners, recorded directly in equity Dividends to shareholders of the Company (note 12)	-	-	-	-	-	(21,192)	(21,192)
Balance at March 31, 2018	**$ 99,283**	**$ (30,905)**	**$ -**	**$ -**	**$ (30,905)**	**$ 569,572**	**$ 637,950**

See accompanying notes to the condensed consolidated interim financial statements.
* The Company initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 20.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of U.S. dollars)

Unaudited
Three months ended March 31, 2017

	Capital stock	Accumulated other comprehensive income/(loss)			Total accumulated other comprehensive income/(loss)	Retained earnings	Total*
		Cumulative translation account	Amounts related to gains/losses on available-for-sale financial assets	Amounts related to gains/(losses) on derivatives designed as hedges			
Balance at January 1, 2017	**$ 99,283**	**$ (35,748)**	**$ 17**	**$ (377)**	**$ (36,108)**	**$ 394,334**	**$ 457,509**
Total comprehensive income for the period:							
Net income	-	-	-	-	-	40,433	40,433
Other comprehensive income (loss)							
Net change in fair value of available-for-sale financial asset during the period	-	-	(1,314)	-	(1,314)	-	(1,314)
Net change in fair value of derivatives designated as hedges during the period	-	-	-	164	164	-	164
Amounts reclassified to profit during the period related to realized losses (gains) on available-for-sale financial assets	-	-	879	-	879	-	879
Foreign currency translation differences from foreign operations	-	2,891	-	-	2,891	-	2,891
Deferred tax recovery (expense)	-	-	57	(49)	8	-	8
Total other comprehensive income for the period	**-**	**2,891**	**(378)**	**115**	**2,628**	**-**	**2,628**
Total comprehensive income for the period	**-**	**2,891**	**(378)**	**115**	**2,628**	**40,433**	**43,061**
Transactions with owners, recorded directly in equity Dividends to shareholders of the Company (note 12)	-	-		-	-	(21,192)	(21,192)
Balance at March 31, 2017	**$ 99,283**	**$ (32,857)**	**$ (361)**	**$ (262)**	**$ (33,480)**	**$ 413,575**	**$ 479,378**

See accompanying notes to the condensed consolidated interim financial statements.

* The Company initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 20.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Cash Flows
(In thousands of U.S. dollars)

Three months ended March 31, 2018 and 2017
Unaudited

	2018	2017*
Cash flows from operating activities:		
Net income	$ 82,544	$ 40,433
Adjustments for:		
Depreciation	6,651	5,299
Amortization of intangible assets	68,632	52,285
TSS membership liability revaluation charge	6,840	13,115
Share in net (income) loss of equity investee	(235)	(49)
Finance and other expense (income)	(8,887)	(21)
Bargain purchase gain	(105)	-
Finance costs	5,216	5,258
Income tax expense (recovery)	18,585	18,040
Foreign exchange loss (gain)	(13,977)	1,494
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 18)	147,025	71,217
Income taxes paid	(54,615)	(25,097)
Net cash flows from operating activities	257,674	181,974
Cash flows from (used in) financing activities:		
Interest paid	(5,268)	(5,451)
Increase (decrease) in New CNH Facility, net	(57,677)	-
Dividends paid	(21,192)	(21,192)
Net cash flows from (used in) in financing activities	(84,137)	(26,643)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired (note 4)	(296,457)	(48,837)
Post-acquisition settlement payments, net of receipts	(16,598)	(5,355)
Proceeds from sale of available-for-sale equity securities	-	2,013
Interest, dividends and other proceeds received	748	19,553
Property and equipment purchased	(4,466)	(4,410)
Net cash flows from (used in) investing activities	(316,773)	(37,036)
Effect of foreign currency on cash and cash equivalents	1,798	2,095
Increase (decrease) in cash	(141,438)	120,390
Cash, beginning of period	488,964	353,499
Cash, end of period	$ 347,526	$ 473,889

See accompanying notes to the condensed consolidated interim financial statements.

* The Company initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 20.

Notes to the condensed consolidated interim financial statements

1. Reporting entity
2. Basis of presentation
3. Significant accounting policies
4. Business acquisitions
5. Other assets and other non-current liabilities
6. Intangible assets
7. CSI facility and New CNH facility
8. Debentures
9. TSS Membership Liability
10. Provisions
11. Income taxes
12. Capital and other components of equity
13. Finance and other income and finance costs
14. Earnings per share
15. Financial instruments
16. Operating segments
17. Contingencies
18. Changes in non-cash operating assets and liabilities
19. Subsequent events
20. Explanation of adoption of IFRS 15

1. Reporting entity

Constellation Software Inc. ("Constellation") is a company domiciled in Canada. The address of Constellation's registered office is 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada. The condensed consolidated interim financial statements of Constellation as at and for the period ended March 31, 2018 comprise Constellation and its subsidiaries (together referred to as the "Company") and the Company's interest in associates. The Company is engaged principally in the development, installation and customization of software relating to the markets listed below, and in the provision of related professional services and support.

Public Sector:

Public transit operators	Asset management	Municipal systems
Para transit operators	Fleet and facility management	School administration
School transportation	District attorney	Public safety
Non-emergency medical	Taxi dispatch	Healthcare
Ride share	Benefits administration	Rental
Local government	Insurance	Electric utilities
Agri-business	Collections management	Court
Marine asset management	Water utilities	School and special library
Communications	Credit unions	Drink distribution
Higher education	Financial services	Notaries
Fashion retail	Pharmacies	Long-term care
Home and community care	County systems	Research management
Retail management and distribution	Public housing authorities	Not-for-profit organizations
Automotive	Accountancy	Catering
Small and medium sized businesses		

Private Sector:

Private clubs and daily fee golf courses	Lease management	Window manufacturers
Construction	Winery management	Cabinet manufacturers
Food services	Buy here pay here dealers	Made-to-order manufacturers
Health clubs	RV and marine dealers	Window and other dealers
Moving and storage	Pulp and paper manufacturers	Multi-carrier shipping
Metal service centers	Agriculture equipment dealers	Supply chain optimization
Attractions	Outdoor equipment dealers	Multi-channel distribution
Leisure centers	Education	Wholesale distribution
Retail management and distribution	Healthcare electronic medical records	Homebuilders
Radiology and laboratory information systems	Pharmaceutical and biotech manufacturers	Third party logistics warehouse management systems
Product licensing	Event management	Financial services
Tire distribution	Salons and spas	Association management
Housing finance agencies	Municipal treasury and debt systems	Public housing authorities
Tour operators	Auto clubs	Real estate brokers and agents
Long-term care	Textiles and apparel	Home and community care
Hospitality	Mining	Ombudsman
Aerospace	Design and welding	Manufacturing plant performance
Oil and gas	Publishing	Marinas

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies disclosed in Note 3 of the Company's 2017 annual consolidated financial statements except as disclosed herein.

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards (IFRS), issued and outstanding as of April 25, 2018, the date the Board of Directors approved the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2017 annual consolidated financial statements.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, derivative financial instruments and contingent consideration related to business acquisitions, which are measured at their estimated fair value.

(c) Functional and presentation of currency

The condensed consolidated interim financial statements are presented in U.S. dollars, which is Constellation's functional currency.

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2017 annual consolidated financial statements and described in these condensed consolidated interim financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

3. Significant accounting policies

Except for the adoption of IFRS 15 and IFRS 9, the significant accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company's 2017 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

The accounting policies have been applied consistently by Constellation's subsidiaries.

Revenue recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company reports revenue under four revenue categories being, License, Hardware and other, Professional services, and Maintenance and other recurring revenue.

Contracts with multiple products or services

Typically, the Company enters into contracts that contain multiple products and services such as software licenses, hosted software-as-a-service, maintenance, professional services, and hardware. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Constellation's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated standalone selling price ("SSP").

Nature of products and services

The Company sells on-premise software licenses on both a perpetual and specified-term basis. Revenue from the license of distinct software is recognized at the time that both the right-to-use the software has commenced and the software has been made available to the customer. Certain of the Company's contracts with customers contain provisions that require the customer to renew optional support and maintenance in order to maintain the active right to use a perpetual or term license. The renewal payments after the initial bundled support and maintenance term in these cases apply to both the continued right-to-use the license and the support and maintenance renewal. Where the fees payable for the initial term are incremental to the fees for the renewal terms, the excess is treated as a prepayment for expected renewals and allocated (amortized) evenly over the expected customer renewals, up to the estimated life of the software that is typically 4-6 years.

Revenue from the license of software that involves complex implementation or customization that is not distinct, and/or includes sales of hardware that is not distinct, is recognized as a combined performance obligation using the percentage-of-completion method based either on the achievement of contractually defined milestones or based on labour hours.

A portion of the Company's sales, categorized as hardware and other revenue, are accounted for as product revenue. Product revenue is recognized when control of the product has transferred under the terms of an enforceable contract.

Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement is included in the hardware and other revenue category. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced.

Reimbursable travel expenses incurred for which an invoice has not been issued, are recorded as part of unbilled revenue on the statement of financial position.

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from software licenses that are not distinct from maintenance, transaction revenues, managed services, and hosted products.

Revenue from software-as-a-service (SaaS) arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on a subscription basis. Revenue from the SaaS subscription, which includes the hosted software and maintenance is recognized rateably over the term of the subscription. Significant incremental payments for SaaS in an initial term are recognized rateably over the expected renewal periods, up to the estimated life of the software.

Professional Services revenue including installation, implementation, training and customization of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

Significant judgments and estimates

The Company uses judgment to assess whether multiple products and services sold in a contract are considered distinct and should be accounted as separate performance obligations or together. Estimates are required to determine the SSP for each distinct performance obligation in order to allocate revenue where multiple performance obligations exist in a contract.

Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also applies estimates in the calculation of future contract costs and related profitability as it relates to labour hours and other considerations, which are used in determining the value of amounts recoverable on contracts and timing of revenue recognition. Estimates are continually and routinely revised based on changes in the facts relating to each contract. Judgement is also needed in assessing the ability to collect the corresponding receivables.

New standards and interpretations adopted

IFRS 9 Financial Instruments

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except for an investment in an equity instrument which is not held-for-trading. IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income ("OCI") ("FVOCI"). The election is available on an individual investment-by-investment basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets at amortized cost, contract assets and debt investments measured at FVOCI.

The Company adopted this standard on January 1, 2018 and it had a nominal impact on the Company's disclosures.

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers with an initial adoption date of January 1, 2018. The Company utilized the cumulative effect method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. See note 20 for further details.

New standards and interpretations not yet adopted

IFRS 16 Leases

In January 2016, the IASB issued the final publication of the IFRS 16 Leases standard, which will supersede the current IAS 17, Leases standard. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the statement of financial position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17.

The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The Company is required to retrospectively apply IFRS 16 to all existing leases as of the date of transition and has the option to either:

- apply IFRS 16 with full retrospective effect; or
- recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. The Company is assessing the impact of this standard on its consolidated financial statements;

however, the Company believes that on adoption of the standard there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on its Consolidated Statements of Financial Position, as well as a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation (due to depreciation of the right-of-use asset).

4. Business acquisitions

(a) During the period ended March 31, 2018, the Company completed a number of acquisitions for aggregate cash consideration of $319,610 plus cash holdbacks of $46,878 and contingent consideration with an estimated fair value of $217 resulting in total consideration of $366,705. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition periods. The obligation for contingent consideration for acquisitions during the period ended March 31, 2018 has been recorded at its estimated fair value at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the weighted probability of the expected contingent consideration to be paid and inclusion of a discount rate as appropriate. For these arrangements, which include both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed a maximum of $8,894. Aggregate contingent consideration of $20,181 (December 31, 2017 - $24,734) has been reported in the condensed consolidated interim statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods. Changes made to the estimated fair value of contingent consideration are included in other, net in the condensed consolidated interim statements of income. An expense of $345 has been recorded for the three months ended March 31, 2018, as a result of such changes (income of $186 for the three months ended March 31, 2017).

There were no acquisitions during the period that were deemed to be individually significant. 60% of the total businesses acquired during the year were acquisitions of shares and the remainder were asset acquisitions. The cash holdbacks are generally payable over a two-year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

The acquisitions during the period ended March 31, 2018 include software companies catering to the following markets; insurance, healthcare, financial services, small and medium sized businesses, health clubs, communications, marinas, oil and gas, pulp and paper manufacturers, retail management and distribution, real estate brokers and agents, public housing authorities, fashion retail, mining, salons and spas, automotive, higher education, and local government, all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition.

The goodwill recognized in connection with these acquisitions is primarily attributable to the application of Constellation's best practices to improve the operations of the companies acquired, synergies with existing businesses of Constellation, and other intangibles that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of $767 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $72,734; however, the Company has recorded an allowance of $1,943 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during the last three quarters of 2017 and first quarter of 2018. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The cash consideration associated with these provisional estimates totals $526,622.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

The aggregate impact of acquisition accounting applied in connection with business acquisitions in the period ended March 31, 2018 is as follows:

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 16,962	$ 6,191	$ 23,153
Accounts receivable	52,156	18,635	70,791
Other current assets	32,580	4,711	37,291
Property and equipment	2,539	2,848	5,387
Other non-current assets	454	239	693
Deferred income taxes	68	2,350	2,418
Technology assets	156,201	53,514	209,715
Customer assets	90,714	31,092	121,806
	351,674	119,580	471,254
Liabilities assumed:			
Current liabilities	62,477	10,661	73,138
Deferred revenue	24,531	10,506	35,037
Deferred income taxes	26,536	4,677	31,213
Other non-current liabilities	243	2,646	2,889
	113,787	28,490	142,277
Goodwill	37,197	531	37,728
Total consideration	**$ 275,084**	**$ 91,621**	**$ 366,705**

(b) The 2018 business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income for the three months ended March 31, 2018. The materiality threshold is reviewed on an annual basis taking into account the quantitative (contribution to revenue and net income) and qualitative (size and comparability with other Constellation businesses) factors of current period acquisitions on both an individual and aggregate basis.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

5. Other assets and other non-current liabilities

(a) Other assets

		March 31, 2018		December 31, 2017
Prepaid and other current assets	$	82,254	$	56,520
Investment tax credits recoverable		27,645		19,095
Sales tax receivable		14,396		15,696
Other receivables		32,201		8,787
Total other current assets	$	156,496	$	100,098
Investment tax credits recoverable	$	8,437	$	10,646
Costs to obtain a contract (note 20)		32,282	$	-
Non-current trade and other receivables and other assets		15,579		8,896
Equity accounted investees (i)		612		2,259
Total other non-current assets	$	56,910	$	21,801

(i) The Company's share of net income (loss) in its investments currently being accounted for as equity investees for the three-month period ended March 31, 2018 was $235 (March 31, 2017 – $49).

(b) Other non-current liabilities

		March 31, 2018		December 31, 2017
Contingent consideration	$	12,467	$	12,406
Acquired contract liabilities		-		1,580
Deferred revenue		48,751		1,827
Other non-current liabilities		19,305		17,708
Total other non-current liabilities	$	80,523	$	33,521

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)
Three months ended March 31, 2018 and 2017
(Unaudited)

6. Intangible Assets

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Trademarks	Goodwill	Total
Cost							
Balance at January 1, 2017	$ 1,176,847	$ 584,056	$ 16,181	$ 2,566	$ 6,667	$ 226,502	$ 2,012,819
Acquisitions through business combinations	226,559	111,289	-	-	-	8,010	345,858
Effect of movements in foreign exchange	46,619	36,060	101	33	923	24,694	108,430
Balance at December 31, 2017	$ 1,450,025	$ 731,405	$ 16,282	$ 2,599	$ 7,590	$ 259,206	$ 2,467,107
Balance at January 1, 2018	$ 1,450,025	$ 731,405	$ 16,282	$ 2,599	$ 7,590	$ 259,206	$ 2,467,107
Acquisitions through business combinations	209,449	120,964	-	-	-	37,257	367,670
Effect of movements in foreign exchange	12,006	7,571	168	(13)	216	2,516	22,464
Balance at March 31, 2018	$ 1,671,480	$ 859,940	$ 16,450	$ 2,586	$ 7,806	$ 298,979	$ 2,857,241
Accumulated amortization and impairment losses							
Balance at January 1, 2017	$ 746,860	$ 252,433	$ 16,181	$ 2,566	$ 1,036	$ -	$ 1,019,076
Amortization for the period	171,994	57,984	-	-	516	-	230,494
Effect of movements in foreign exchange	26,470	9,600	101	33	-	-	36,204
Balance at December 31, 2017	$ 945,324	$ 320,017	$ 16,282	$ 2,599	$ 1,552	$ -	$ 1,285,774
Balance at January 1, 2018	$ 945,324	$ 320,017	$ 16,282	$ 2,599	$ 1,552	$ -	$ 1,285,774
Amortization for the period	49,777	18,652	63	-	140	-	68,632
Effect of movements in foreign exchange	6,200	2,350	105	(13)	-	-	8,642
Balance at March 31, 2018	$ 1,001,301	$ 341,019	$ 16,450	$ 2,586	$ 1,692	$ -	$ 1,363,048
Carrying amounts							
At January 1, 2017	$ 429,987	$ 331,623	$ -	$ -	$ 5,631	$ 226,502	$ 993,743
At December 31, 2017	$ 504,701	$ 411,388	$ -	$ -	$ 6,038	$ 259,206	$ 1,181,333
At January 1, 2018	$ 504,701	$ 411,388	$ -	$ -	$ 6,038	$ 259,206	$ 1,181,333
At March 31, 2018	$ 670,179	$ 518,921	$ -	$ -	$ 6,114	$ 298,979	$ 1,494,193

7. CSI Facility and New CNH Facility

On October 27, 2017, Constellation completed an amendment and restatement of its revolving credit facility agreement (the “CSI Facility”), with a syndicate of Canadian chartered banks and U.S. banks in the amount of $460,000, extending its maturity date to October 27, 2022. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility is currently collateralized by the majority of the Company’s assets including the assets of certain material subsidiaries. The CSI Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at March 31, 2018, $nil (December 31, 2017 – $nil) had been drawn from this credit facility, and letters of credit totaling $17,122 (December 31, 2017 - $17,092) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the CSI Facility are included in other non-current assets in the consolidated statement of financial position and are being amortized through profit or loss using the effective interest rate method. Amortized costs recognized in the three months ended March 31, 2018 relating to this line-of-credit amounted to $65 (March 31, 2017 - $67). As at March 31, 2018 the carrying amount of such costs is $1,164 (December 31 2017 - $1,229).

On July 14, 2017, CNH entered into a new credit facility (the “New CNH Facility”) with a number of European financial institutions. Under this credit facility, CNH will be able to borrow up to €300,000 under a multicurrency revolving loan facility and up to €50,000 under an additional uncommitted term loan facility. The New CNH Facility has an initial term of five years with an extension option for two additional one-year periods. The New CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The New CNH Facility is collateralized by substantially all of the assets owned by CNH and its subsidiaries which includes substantially all of the assets of TSS and its subsidiaries. The New CNH Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at March 31, 2018, €35,000 ($43,117) had been drawn from this credit facility (December 31, 2017, €82,000 ($98,227)). Transaction costs associated with the New CNH Facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. Amortized costs recognized in the three months ended March 31, 2018 relating to this facility amounted to $104. As at March 31, 2018, the carrying amount of such costs relating to this facility totaling approximately €1,529 ($1,883) has been classified as part of the New CNH Facility in the consolidated statement of financial position.

The New CNH Facility and CSI Facility are independent of each other. The New CNH Facility is not guaranteed by Constellation or its subsidiaries nor is Constellation or its subsidiaries subject to the terms of the New CNH Facility other than, in each case, CNH and its subsidiaries. Similarly, CNH and its subsidiaries did not guarantee Constellation’s other credit facilities and are not subject to the provisions thereof. Constellation’s credit facilities impose limitations on the aggregate amount of investment that Constellation may make in CNH and its subsidiaries and the financial results of CNH and its subsidiaries are not included for the purposes of determining compliance by Constellation with the financial covenants in Constellation’s other credit facilities. The New CNH Facility imposes limitations on the amount of distributions that CNH and its subsidiaries may make to Constellation.

8. Debentures

On October 1, 2014 and November 19, 2014, the Company issued debentures with a total principal value of C$96,038 for total proceeds of C$91,236. On September 30, 2015, the Company issued another tranche of debentures (collectively with the 2014 issuances called the “Debentures”) with a total principal value of C$186,249 for total proceeds of C$214,186.

The Debentures have a maturity date of March 31, 2040 (the “Maturity Date”). From and including the date of issue to but excluding March 31, 2015, the Debentures bore interest at a rate of 7.4% per annum, paid quarterly in arrears.

The rate from March 31, 2015 to March 30, 2016 was 8.5% per annum. The rate from March 31, 2016 to March 30, 2017 was 7.6%. The rate from and including March 31, 2017 to but excluding March 31, 2018 is 7.9%. The rate from and including March 31, 2018 to but excluding March 31, 2019 is 8.1%. From and including March 31, 2019 to but excluding the Maturity Date, the interest rate applicable to the Debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the annual average percentage change in the All-items Consumer Price Index during the 12-month period ending on December 31 in the prior year (which amount may be positive or negative) plus 6.5%. Notwithstanding the foregoing, the interest rate applicable to the debentures will not be less than 0%. The Company may, subject to certain approvals, elect the Payment in Kind election ("PIK Election"), in lieu of paying interest in cash, to satisfy all or any portion of its interest obligation payable on an interest payment date by issuing to each Debenture holder PIK Debentures equal to the amount of the interest obligation to be satisfied. The PIK Debentures will have the same terms and conditions as the Debentures and will form part of the principal amount of the Debentures. If, on any interest payment date, the Company fails to pay the amount of interest owing on the Debentures in full in cash, the Company will not (A) declare or pay dividends of any kind on the Common Shares, nor (B) participate in any share buyback or redemption involving the Common Shares, until the date on which the Company pays such interest (or the unpaid portion thereof) in cash to holders of the Debentures; however, where the Company has issued PIK Debentures in respect of all or a portion of the amount of interest owing on the Debentures on an interest payment date, the Company may resume declaring or paying dividends of any kind on the Common Shares and participating in any share buyback or redemption involving the Common Shares beginning on the next earlier of (i) the interest payment date of which the Company pays the amount of interest owing on the Debentures in full in cash and (ii) the date on which the Company repays all amounts owing under the PIK Debenture. All payments in respect of the Debentures will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Company.

The Debentures will be redeemable in certain circumstances at the option of the Company or the holder. During the period beginning on March 16 and ending on March 31 of each year, the Company will have the right, at its option, to give notice to holders of Debentures of its intention to redeem the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption. During the period beginning on March 1 and ending on March 15 of each year, holders of Debentures will also have the right, at their option, to give notice to the Company of their intention to require the Company to repurchase (or to "put") the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for repurchase.

During the periods ended March 31, 2018 and December 31, 2017, no notices for redemption of the Debentures were received or given by the Company.

9. TSS Membership Liability

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the TSS acquisition, and on the basis of the term sheets attached thereto, Constellation and the sellers of TSS along with members of TSS' executive management team (collectively, the "minority owners") entered into a Members Agreement pursuant to which the minority owners acquired 33.29% of the voting interests in CNH. Total proceeds from this transaction was €39,375 ($48,503).

Commencing any time after December 31, 2014, each of the minority owners may exercise a put option to sell all or a portion of their interests in CNH back to Constellation for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Accordingly, the Company classified the proceeds from the Members Agreement as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of CNH. Upon the exercise of a put option, Constellation would be obligated to redeem up to 33.33% of the minority owners' interests put, no later than 30 business days from the date notice is received, and up to 33.33% on each of the first and second anniversary of the date the first redemption payment is made. In determining the valuation of the liability at each reporting period, the Company assumes the minority owners exercised their put option on the last day of the current reporting period, and redeemed 33.33% of their interests on exercise (which is classified as a current liability), and will redeem 33.33% on each of the first and second anniversary dates. Maintenance and recurring revenue of CNH for the trailing twelve months determined at the end of the current reporting period was used as the basis for valuing the interests at each redemption date. Any increase or decrease in the value of the membership liability is recorded as an expense or income in the consolidated statements of income for the period.

The seller of TSS also has an option available to it to sell approximately 68% of its interests in CNH, for an amount calculated in accordance with a valuation methodology described within the Members Agreement, in the event that Robin Van Poelje, TSS' CEO, is no longer employed by TSS. The remaining interest of approximately 32% can be sold via the put option described above.

In the event of a change of control in Constellation, the minority owners would have the option to sell 100% of their interests in CNH for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Constellation would be obligated to remit payment in respect thereof no later than 30 business days from the date notice is given.

Commencing at any time after December 31, 2023, Constellation may exercise a call option to purchase all of the minority owners' interests in CNH, for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Upon exercise of the call option, the full purchase price will be paid within 30 business days of the notice date, following which the minority owners' membership in CNH will be terminated.

If any of TSS' executive management team that participate in the Members Agreement are terminated for urgent cause as defined in Section 7:678 of the Dutch Civil Code, Constellation shall have the right to purchase all of the interests beneficially owned by the terminated executive for an amount calculated in accordance with a valuation methodology described with the Members Agreement. The full purchase price will be paid within 30 business days from the date notice is given, following which the terminated executive's membership in CNH will be terminated. An option does exist for the terminated executive to elect to be paid in annual installments of 33.33% of his interests in CNH over a 3-year period. The valuation of the interests being purchased will be calculated at each reporting period. During the three-month periods ended March 31, 2018 and December 31, 2017, no options were exercised.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

10. Provisions

At January 1, 2018	$	11,456
Reversal		(1,553)
Provisions recorded during the period		2,392
Provisions used during the period		(3,246)
Effect of movements in foreign exchange and other		173
At March 31, 2018	$	9,222
Provisions classified as current liabilities		8,134
Provisions classified as other non-current liabilities		1,088

The provisions balance is comprised of various individual provisions for onerous contracts and other estimated liabilities of the Company of uncertain timing or amount.

11. Income taxes

Income tax expense is recognized based on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. The Company's consolidated effective tax rate in respect of continuing operations for the three months ended March 31, 2018 was 18% (three months ended March 31, 2017 was 31% respectively).

Constellation is subject to tax audits in the countries in which the Company does business globally. These tax audits could result in additional tax expense in future periods relating to historical filings. Reviews by tax authorities generally focus on, but are not limited to, the validity of the Company's inter-company transactions, including financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgment. If any of these tax authorities are successful with their challenges, the Company's income tax expense may be adversely affected and Constellation could also be subject to interest and penalty charges.

12. Capital and other components of equity

	Common Shares	
	Number	Amount
March 31, 2018	21,191,530	$ 99,283
December 31, 2017	21,191,530	$ 99,283

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

Dividends and other distributions to shareholders

During the three months ended March 31, 2018 the Board of Directors approved and the Company declared a dividend of $1.00 per common share. The dividend declared in the quarter ended March 31, 2018 representing $21,192 was paid and settled on April 5, 2018.

A dividend of $1.00 per share representing $21,192 was accrued as at December 31, 2017 and subsequently paid and settled on January 5, 2018.

13. Finance and other income and finance costs

	Three months ended March 31,	
	2018	2017
Losses (gains) on sale of available-for-sale financial assets transferred from other comprehensive income	$ -	$ 879
Interest income on cash	(765)	(767)
Finance and other income	(8,122)	(133)
Finance and other income	$ (8,887)	$ (21)
Interest expense on bank indebtedness and debentures	$ 5,450	$ 5,455
Amortization of debt related transaction costs	169	283
Amortization of debenture discount (premium) and associated rights offering, net	(1,032)	(1,011)
Other finance costs	629	531
Finance costs	$ 5,216	$ 5,258

Included in finance and other income is a $7,859 adjustment which was made during 2018 relating to the acquired net tangible assets of an acquisition which closed in a previous year.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

14. Earnings per share

Basic and diluted earnings per share

	Three months ended March 31,	
	2018	2017
Numerator:		
Net income	$ 82,544	$ 40,433
Denominator:		
Basic and diluted shares outstanding	21,192	21,192
Earnings per share		
Basic and diluted	$ 3.90	$ 1.91

15. Financial instruments

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The Company has classified the majority its financial assets and financial liabilities as subsequently measured under amortized cost under IFRS 9.

Fair values versus carrying amounts

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends payable, income taxes payable and the majority of acquisition holdbacks, approximate their fair values due to the short-term nature of these instruments. The carrying value of the TSS Membership Liability approximates its fair value.

The Company has capitalized transaction costs associated with the CSI Facility and the New CNH Facility. As at March 31, 2018, the fair value of the New CNH Facility is $43,117 and the carrying value is $41,234. As at March 31, 2018, the fair value of the Debentures is $266,886 and the carrying value is $229,215 (December 31, 2017: fair value of $266,478 and carrying value of $236,462).

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

In the table below, the Company has segregated all financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

Financial assets and financial liabilities measured at fair value as at March 31, 2018 and December 31, 2017 in the condensed consolidated interim financial statements are summarized below. The Company has no additional financial liabilities measured at fair value after initial recognition other than those recognized in connection with business combinations.

	March 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities:								
Contingent consideration	$ -	$ -	$ 20,181	$ 20,181	$ -	$ -	$24,734	$24,734
	-	**-**	**20,181**	**20,181**	**-**	**-**	**24,734**	**24,734**

There were no transfers of fair value measurement between level 1, 2 and 3 of the fair value hierarchy in the periods ended March 31, 2018 and 2017.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

Balance at January 1, 2018	24,734
Increase from business acquisitions	217
Cash payments	(6,046)
Charges through profit or loss	573
Foreign exchange and other movements	703
Balance at March 31, 2018	20,181
Contingent consideration classified as current liabilities	7,714
Contingent consideration classified as other non-current liabilities	12,467

Estimates of the fair value of contingent consideration are performed by the Company on a quarterly basis. Key unobservable inputs include revenue growth rates and the discount rates applied (8% to 11%). The estimated fair value increases as the annual growth rate increases and as the discount rate decreases and vice versa.

16. Operating segments

Segment information is presented in respect of the Company's business. The accounting policies of the segments are the same as those described in the significant accounting policies section of these condensed consolidated interim financial statements.

Reportable segments

The Company has six operating segments, referred to as Operating Groups by the Company, being Volaris, Harris, TSS, Jonas, Perseus, and Vela. The operating segments are aggregated into two reportable segments in accordance with IFRS 8 Operating Segments. The Company‘s Public Sector segment develops and distributes software solutions primarily to government and government-related customers. The Company's Private Sector segment develops and distributes software solutions primarily to commercial customers.

The operating groups exhibit similar economic characteristics (such as gross and earnings before income tax and amortization ("EBITA") margins) and are substantially similar in relation to the nature of products and services, the nature of production processes, and the methods used to distribute product; however, the determination that the Company has two reportable segments is based primarily on the assessment that differences in economic cycles and procedures for securing contracts between our governmental clients and commercial, or private sector clients, are significant, thus warranting distinct segmented disclosures. Volaris, Harris and TSS have been aggregated into the Public Sector segment. Jonas, Perseus and Vela have been aggregated into the Private Sector segment.

Intercompany expenses (income) primarily represent Constellation head office management fees and intercompany interest charged on related borrowings to the reportable segments.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

Three months ended March 31, 2018	Public Sector	Private Sector	Other	Consolidated Total
Revenue				
License	28,514	15,305	-	43,819
Professional services	110,864	31,306	-	142,170
Hardware and other	26,454	6,316	-	32,770
Maintenance and other recurring	319,751	179,949	-	499,700
	485,583	232,876	-	718,459
Expenses				
Staff	261,836	126,231	1,345	389,412
Hardware	13,784	4,013	-	17,797
Third party licenses, maintenance and professional services	38,244	23,227	-	61,471
Occupancy	12,383	6,689	60	19,132
Travel	12,676	5,533	58	18,267
Telecommunications	3,691	2,449	10	6,150
Supplies	3,537	1,062	11	4,610
Software and equipment	10,045	2,817	50	12,912
Professional fees	7,268	2,530	380	10,178
Other, net	5,396	7,563	307	13,266
Depreciation	4,869	1,781	1	6,651
Amortization of intangible assets	46,854	21,778	-	68,632
	420,583	205,673	2,222	628,478
Foreign exchange (gain) loss	651	(1,694)	(12,934)	(13,977)
TSS membership liability revaluation charge	6,840	-	-	6,840
Equity in net (income) loss of equity investees	(235)	-	-	(235)
Finance and other expense (income)	(8,040)	(100)	(747)	(8,887)
Bargain purchase gain	(105)	-	-	(105)
Finance costs	1,238	254	3,724	5,216
Intercompany expenses (income)	5,202	3,234	(8,436)	-
	5,551	1,694	(18,393)	(11,148)
Profit before income tax	59,449	25,509	16,171	101,129
Current income tax expense (recovery)	18,842	9,461	(1,811)	26,492
Deferred income tax expense (recovery)	(4,250)	(2,235)	(1,422)	(7,907)
Income tax expense (recovery)	14,592	7,226	(3,233)	18,585
Net income	44,857	18,283	19,404	82,544

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

Three months ended March 31, 2017	Public Sector	Private Sector	Other	Consolidated Total
Revenue				
License	21,714	13,418	-	35,132
Professional services	89,257	23,156	-	112,413
Hardware and other	24,600	6,826	-	31,426
Maintenance and other recurring	238,637	137,718	-	376,355
	374,208	181,118	-	555,326
Expenses				
Staff	193,561	94,222	1,532	289,315
Hardware	12,116	4,204	-	16,320
Third party licenses, maintenance and professional services	29,930	20,073	-	50,003
Occupancy	8,572	4,757	107	13,436
Travel	11,407	4,365	52	15,824
Telecommunications	2,954	2,097	17	5,068
Supplies	2,955	903	14	3,872
Software and equipment	7,535	1,952	50	9,537
Professional fees	5,017	1,480	428	6,925
Other, net	4,020	4,788	364	9,172
Depreciation	3,971	1,328	-	5,299
Amortization of intangible assets	36,207	16,078	-	52,285
	318,245	156,247	2,564	477,056
Foreign exchange (gain) loss	124	1,128	242	1,494
TSS membership liability revaluation charge	13,115	-	-	13,115
Equity in net (income) loss of equity investees	(49)	-	-	(49)
Finance and other expense (income)	(100)	(41)	120	(21)
Bargain purchase gain	-	-	-	-
Finance costs	1,578	276	3,404	5,258
Intercompany expenses (income)	8,664	3,420	(12,084)	-
	23,332	4,783	(8,318)	19,797
Profit before income tax	32,631	20,088	5,754	58,473
Current income tax expense (recovery)	18,515	7,255	(1,662)	24,108
Deferred income tax expense (recovery)	(6,332)	(423)	687	(6,068)
Income tax expense (recovery)	12,183	6,832	(975)	18,040
Net income	20,448	13,256	6,729	40,433

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

17. Contingencies

In the normal course of operations, the Company is subject to litigation and claims from time to time. The Company may also be subject to lawsuits, investigations and other claims, including environmental, labour, income and sales tax, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

18. Changes in non-cash operating assets and liabilities

	Three months ended March 31, 2018	2017
Decrease (increase) in current accounts receivable	$ 45,588	$ (2,338)
Decrease (increase) in current unbilled revenue	(7,991)	(2,860)
Decrease (increase) in other current assets	(10,307)	(12,656)
Decrease (increase) in inventory	(2,462)	(1,906)
Decrease (increase) in other non-current assets	3,377	633
Increase (decrease) in other non-current liabilities	(8,167)	(294)
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	(70,634)	(46,174)
Increase (decrease) in current deferred revenue	200,068	138,671
Increase (decrease) in current provisions	(2,447)	(1,859)
Change in non-cash operating working capital	$ 147,025	$ 71,217

19. Subsequent events

On April 25, 2018 the Company declared a $1.00 per share dividend that is payable on July 5, 2018 to all common shareholders of record at close of business on June 15, 2018.

20. Explanation of adoption of IFRS 15 Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and timing of revenue recognized. The Company has adopted IFRS 15, effective January 1, 2018, using the cumulative effect method. Under the cumulative effect method, the Company has recognized the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings as at January 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

The details of the primary changes on adoption of IFRS 15 are set out below.

A. Software license arrangements (including subscription arrangements):

Under the Company's previous revenue recognition policies, license revenue from term-based licenses was generally deferred and amortized on a ratable basis over the license term. Under IFRS 15, the Company has deemed the licenses to be generally distinct from other performance obligations. Revenue allocated to the distinct license is recognized at the time that both the right-to-use the software has commenced for the term and the software has been made available to the customer.

Certain of the Company's contracts with customers contain provisions that require the customer to renew optional support and maintenance in order to maintain the active right-to-use a perpetual or term license. The renewal payments after the initial bundled support and maintenance term in these cases apply to both the continued right-to-use the license and the support and maintenance renewal. Where the fees payable for the initial term are incremental to the fees for the renewal terms, the excess is treated as a prepayment for expected renewals and allocated (amortized) evenly over the expected customer renewals, up to the estimated life of the software, that is typically 4-6 years. The Company's previous policy with respect to such incremental upfront license fees was to recognize the fee primarily over the initial first year term of the arrangements.

B. Costs to Obtain a Contract

Under the Company's previous accounting policies, the Company generally expensed incremental commission costs paid to employees or third parties to obtain customer contracts as incurred. Under IFRS 15, the Company allocates these incremental commission costs to the various performance obligations to which they relate using the expected-based allocation for bundled commissions (relative expected margins). For those performance obligations that are expected to be renewed at the end of the initial period without a further commission (such as post-contract customer support), the Company has considered expected renewals over the life of the intellectual property when determining the expected margins from the arrangement. For performance obligations not delivered upfront, the allocated commissions are deferred and amortized over the pattern of transfer of the related performance obligation. For commissions allocated to term-based license arrangements and post-contract customer support, the amortization period is expected to be approximately 4-6 years. Capitalized costs to obtain a contract are included in other non-current assets on the consolidated balance sheet (note 5).

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

The following table details the impact on our opening balance sheet as a result of adopting the new standard.

	January 1, 2018 prior to adoption of IFRS 15	Adjustments		January 1, 2018 after adoption of IFRS 15
Assets				
Current assets:				
Unbilled revenue	$ 64,109	$ 6,651		$ 70,760
Other assets	100,098	2,569		102,667
Non-current assets:				
Deferred income taxes	38,362	8,757	*	47,119
Other assets	21,801	37,878		59,679
Total assets	$ 2,288,218	$ 55,855		$ 2,344,073
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$ 379,573	$ 1,571		$ 381,144
Deferred revenue	541,108	22,478	*	563,586
Non-current liabilities:				
Deferred income taxes	148,961	2,110	*	151,071
Other liabilities (adjustment impacted non-current deferred revenue)	33,521	53,010	*	86,531
Total liabilities	1,684,140	79,169		1,763,309
Shareholders' equity:				
Retained earnings	531,534	(23,314)	*	508,220
	604,078	(23,314)		580,764
Total liabilities and shareholders' equity	$ 2,288,218	$ 55,855		$ 2,344,073

* As part of its adoption of IFRS 15, the Company identified that deferred revenue originally reported under IAS 18 was understated by $25 million as at January 1, 2018 (approximately $19 million as at January 1, 2017) and the corresponding license revenue previously reported was overstated by approximately $6 million in 2017 and $2 million in 2016. The issue had accumulated over a number of years and its impact on individual prior period financial statements was immaterial. Accordingly, in conjunction with the adoption of IFRS 15, the Company recorded an increase to deferred revenues of $25 million, an adjustment to deferred income taxes of $6 million and a decrease to retained earnings of $19 million as at January 1, 2018.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

The following table summarizes the impacts of adopting IFRS 15 on the Company's consolidated financial statements for the three months ended March 31, 2018:

	March 31, 2018 As reported	Adjustments	March 31, 2018 Without adoption of IFRS 15
Assets			
Current assets:			
Unbilled revenue	$ 87,816	$ (6,171)	$ 81,645
Other assets	156,496	241	156,737
Non-current assets:			
Deferred income taxes	37,640	(7,735)	29,905
Other assets	56,910	(37,092)	19,818
Total assets	$ 2,605,463	$ (50,757)	$ 2,554,706
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 362,717	$ (912)	$ 361,805
Deferred revenue	800,702	(19,090)	781,612
Non-current liabilities:			
Deferred income taxes	165,657	623	166,280
Other liabilities	80,523	(47,248)	33,275
Total liabilities	1,967,513	(66,627)	1,900,886
Shareholders' equity:			
Accumulated other comprehensive income (loss)	(30,905)	(81)	(30,986)
Retained earnings	569,572	15,951	585,523
Total liabilities and shareholders' equity	$ 2,605,463	$ (50,757)	$ 2,554,706

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

	March 31 2018 As reported	Adjustments	March 31, 2018 Without adoption of IFRS 15
Revenue			
License	$ 43,819	$ (2,590)	$ 41,229
Professional services	142,170	(79)	142,091
Hardware and other	32,770	-	32,770
Maintenance and other recurring	499,700	(5,832)	493,868
	718,459	(8,501)	709,958
Expenses			
	628,478	226	628,704
Income before income taxes	101,129	(8,727)	92,402
Current income tax expense (recovery)	26,492	(3,125)	23,367
Deferred income tax expense (recovery)	(7,907)	1,761	(6,146)
Income tax expense (recovery)	18,585	(1,364)	17,221
Net income	82,544	(7,363)	75,181
Earnings per share			
Basic and diluted	$ 3.90	$ (0.35)	$ 3.55

The adoption of IFRS 15 had no impact to cash from or used in operating, financing, or investing on our condensed consolidated statement of cash flows.