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

CONSTELLATION SOFTWARE INC.

For the three months ended March 31, 2017 and 2016
Unaudited

CONSTELLATION SOFTWARE INC.

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

Unaudited

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash	$ 473,889	$ 353,499
Equity securities available-for-sale (note 5)	996	4,236
Accounts receivable, net	260,468	243,554
Work in progress	63,372	56,541
Inventories	21,943	19,667
Other assets (note 6)	94,045	96,181
	914,713	773,678
Non-current assets:		
Property and equipment	47,277	46,395
Deferred income taxes	47,629	49,863
Other assets (note 6)	19,438	19,782
Intangible assets	1,035,546	993,743
	1,149,890	1,109,783
Total assets	$ 2,064,603	$ 1,883,461
Liabilities and Shareholders' Equity		
Current liabilities:		
CSI Facility (note 7)	$ -	$ -
CNH Facility (note 7)	7,477	7,361
TSS membership liability (note 9)	31,603	26,435
Accounts payable and accrued liabilities	263,987	291,697
Dividends payable (note 12)	21,241	21,051
Deferred revenue	621,231	460,975
Provisions (note 10)	6,309	7,955
Acquisition holdback payments	26,448	17,056
Income taxes payable	41,022	40,634
	1,019,318	873,164
Non-current liabilities:		
CNH Facility (note 7)	117,368	115,336
TSS Membership Liability (note 9)	55,593	46,502
Debentures (note 8)	225,046	223,870
Deferred income taxes (note 11)	131,644	129,585
Acquisition holdback payments	5,946	855
Other liabilities (note 6)	30,310	36,640
	565,907	552,788
Total liabilities	1,585,225	1,425,952
Shareholders' equity (note 12):		
Capital stock	99,283	99,283
Accumulated other comprehensive income (loss)	(33,480)	(36,108)
Retained earnings	413,575	394,334
	479,378	457,509
Subsequent events (notes 12 and 19)		
Total liabilities and shareholders' equity	$ 2,064,603	$ 1,883,461

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2017 and 2016
Unaudited

	2017	2016
Revenue		
License	$ 35,132	$ 32,772
Professional services	112,413	96,362
Hardware and other	31,426	30,520
Maintenance and other recurring	376,355	327,328
	555,326	486,982
Expenses		
Staff	289,315	255,227
Hardware	16,320	18,196
Third party license, maintenance and professional services	50,003	44,594
Occupancy	13,436	12,041
Travel	15,824	13,687
Telecommunications	5,068	4,958
Supplies	3,872	2,432
Software and equipment	9,537	8,481
Professional fees	6,925	6,743
Other, net	9,172	8,031
Depreciation	5,299	4,873
Amortization of intangible assets	52,285	47,072
	477,056	426,335
Foreign exchange loss (gain)	1,494	19,206
TSS membership liability revaluation charge (note 9)	13,115	5,180
Share in net (income) loss of equity investee (note 6)	(49)	(224)
Finance and other expense (income) (note 13)	(21)	(9)
Finance costs (note 13)	5,258	5,755
	19,797	29,908
Income before income taxes	58,473	30,739
Current income tax expense (recovery)	24,108	16,754
Deferred income tax expense (recovery)	(6,068)	(4,686)
Income tax expense (recovery) (note 11)	18,040	12,068
Net income	40,433	18,671
Earnings per share		
Basic and diluted (note 14)	$ 1.91	$ 0.88

See accompanying notes to the condensed consolidated interim financial statements.

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, 2017 and 2016
Unaudited

		2017		2016
Net income	$	40,433	$	18,671
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		(107)
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		2,891		3,729
Deferred income tax recovery (expense)		8		28
Other comprehensive (loss) income for the period, net of income tax		2,628		3,650
Total comprehensive income (loss) for the period	$	43,061	$	22,321

See accompanying notes to the condensed consolidated interim financial statements.

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 (loss) for the period	**-**	**2,891**	**(378)**	**115**	**2,628**	**-**	**2,628**
Total comprehensive income (loss) 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.

CONSTELLATION SOFTWARE INC.

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

Unaudited
Three months ended March 31, 2016

	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, 2016	**$ 99,283**	**$ (33,614)**	**$ -**	**$ (705)**	**$ (34,319)**	**$ 272,318**	**$ 337,282**
Total comprehensive income for the period:							
Net income	-	-	-	-	-	18,671	18,671
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	-	-	-	(107)	(107)	-	(107)
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	-	3,729	-	-	3,729	-	3,729
Deferred tax recovery (expense)	-	-		28	28	-	28
Total other comprehensive income for the period	**-**	**3,729**	**-**	**(79)**	**3,650**	**-**	**3,650**
Total comprehensive income for the period	**-**	**3,729**	**-**	**(79)**	**3,650**	**18,671**	**22,321**
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company (note 12)	-	-		-	-	(21,192)	(21,192)
Balance at March 31, 2016	**$ 99,283**	**$ (29,885)**	**$ -**	**$ (784)**	**$ (30,669)**	**$ 269,797**	**$ 338,411**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2017 and 2016
Unaudited

	2017	2016
Cash flows from operating activities:		
Net income	$ 40,433	$ 18,671
Adjustments for:		
Depreciation	5,299	4,873
Amortization of intangible assets	52,285	47,072
TSS membership liability revaluation charge	13,115	5,180
Share in net (income) loss of equity investee	(49)	(224)
Finance and other income	(21)	(9)
Finance costs	5,258	5,755
Income tax expense (recovery)	18,040	12,068
Foreign exchange loss (gain)	1,494	19,206
Change in non-cash operating working capital exclusive of effects of business combinations (note 18)	71,217	41,896
Income taxes paid	(25,097)	(8,045)
Net cash flows from operating activities	181,974	146,443
Cash flows from (used in) financing activities:		
Interest paid	(5,451)	(6,105)
Credit facility transaction costs	-	(1,212)
Dividends paid	(21,192)	(21,192)
Net cash flows from (used in) in financing activities	(26,643)	(28,509)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired (note 4)	(48,837)	(23,828)
Post-acquisition settlement payments, net of receipts	(5,355)	(1,545)
Proceeds from sale of available-for-sale equity securities	2,013	-
Interest, dividends and other proceeds received (note 6)	19,553	5
Property and equipment purchased	(4,410)	(3,170)
Net cash flows from (used in) investing activities	(37,036)	(28,538)
Effect of foreign currency on cash and cash equivalents	2,095	3,229
Increase (decrease) in cash and cash equivalents	120,390	92,625
Cash, beginning of period	353,499	178,471
Cash, end of period	$ 473,889	$ 271,096

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

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, 2017 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

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

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 2016 annual consolidated financial statements.

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards (IFRS), issued and outstanding as of April 27, 2017, 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 2016 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, equity securities available-for-sale, 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 2016 annual consolidated 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

The significant accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company's 2016 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.

New standards and interpretations not yet 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.

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). 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.

The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is assessing the impact of this standard on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. 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 judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018.

The Company has a team focused on the adoption and compliance with IFRS 15. This team is responsible for determining existing policies, differences between existing policies and IFRS 15, ensuring the Company's data collection is appropriate, and communicating the upcoming changes with various stakeholders. In addition, this team is assisting with the development of processes and policies that will help ensure an effective transition and the related impacts are reliably assessed. As a result, the Company is continuing to assess the impact of this standard on its consolidated financial statements.

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, we believe that on adoption of the standard there will be an increase to assets and liabilities, as we will be required to record a right-of-use asset and a corresponding lease liability on our 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 and amortization (due to amortization of the right-of-use asset).

4. Business acquisitions

(a) During the three-month period ended March 31, 2017, the Company completed twelve acquisitions for aggregate cash consideration of $62,263 plus cash holdbacks of $19,038 and contingent consideration with an estimated fair value of $856 resulting in total consideration of $82,157. 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, 2017 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 $3,217. Aggregate contingent consideration of $16,627 (December 31, 2016 - $15,538) 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 expenses, net in the condensed consolidated interim statements of income. Income of $186 has been recorded for the three months ended March 31, 2017, as a result of such changes (income of $246 for the three months ended March 31, 2016).

There were no acquisitions during the period that were deemed to be individually significant. Of the twelve acquisitions, the Company acquired 100% of the shares of eleven businesses and acquired the net assets of one business. 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 three-month period ended March 31, 2017 include software companies catering to the following markets; communications, local government, school administration, electric utilities, design and welding, public safety, manufacturing plant performance, marine asset management, fitness, and healthcare, 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 condensed consolidated interim financial statements from the date of each acquisition. Nine of the acquisitions have been included in the Public reportable segment and three have been included in the Private reportable segment.

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 $2,231 is expected to be deductible for income tax purposes.

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

The gross contractual amounts of acquired receivables was $13,371; however, the Company has recorded an allowance of $422 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 2017 and the last three quarters of 2016. 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 $217,826.

The aggregate impact of acquisition accounting applied in connection with business acquisitions in the three-month period ended March 31, 2017 is as follows:

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 8,531	$ 4,895	$ 13,426
Accounts receivable	11,199	1,750	12,949
Other current assets	6,038	880	6,918
Property and equipment	1,083	291	1,374
Other non-current assets	55	-	55
Deferred income taxes	-	3,341	3,341
Technology assets	40,125	14,450	54,575
Customer assets	18,833	7,507	26,340
	85,864	33,114	118,978
Liabilities assumed:			
Current liabilities	7,662	1,628	9,290
Deferred revenue	12,015	6,082	18,097
Deferred income taxes	9,842	2,964	12,806
Other non-current liabilities	243	-	243
	29,762	10,674	40,436
Goodwill	2,377	1,238	3,615
Total consideration	**$ 58,479**	**$ 23,678**	**$ 82,157**

(b) The 2017 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, 2017. 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. Equity securities available-for-sale

During 2016, the Company made investments in two public companies listed in the U.S. and Canada, both of which develop and sell software solutions. These investments have been designated as available-for-sale. The unrealized gains/losses related to the available-for-sale equity securities have been recorded in Accumulated other comprehensive income. In 2016, the Company fully disposed of one of these investments and in 2017, the Company made partial dispositions of the remaining investment. The realized gain or loss upon disposition was recorded in Finance and other expense (income) in the Condensed Consolidated Interim Statement of Income.

	March 31, 2017		December 31, 2016	
	Cost	Fair Value	Cost	Fair Value
Common shares	$ 1,447	$ 996	$ 4,419	$ 4,236

6. Other assets and other non-current liabilities

(a) Other assets

	March 31, 2017	December 31, 2016
Prepaid and other current assets	$ 59,367	$ 46,931
Other assets	-	18,779
Investment tax credits recoverable	23,478	21,140
Sales tax receivable	4,925	3,971
Other receivables	6,275	5,360
Total other current assets	$ 94,045	$ 96,181
Investment tax credits recoverable	$ 10,691	$ 10,670
Non-current trade and other receivables and other assets	7,239	7,842
Equity accounted investees (i)	1,508	1,270
Total other non-current assets	$ 19,438	$ 19,782

(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, 2017 was $49 respectively (March 31, 2016 –$224).

As at December 31, 2016, one of our investments (which was historically classified as a non-current asset and accounted for as an equity investee) was classified as an other current asset. In the three-month period ended March 31, 2017, this balance was collected. The cash proceeds of $18,779 have been reflected as an investing activity in the condensed consolidated interim statement of cash flows.

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

(b) Other non-current liabilities

	March 31, 2017	December 31, 2016
Contingent consideration	$ 9,057	$ 8,793
Acquired contract liabilities	1,287	9,056
Other non-current liabilities	19,966	18,791
Total other non-current liabilities	$ 30,310	$ 36,640

7. CSI Facility and CNH Facility

On February 25, 2016, Constellation completed an amendment and restatement of the revolving credit facility agreement (the "CSI Facility"), extending its maturity date to August 11, 2020. The facility limit was increased from $300,000 to $485,000 with a syndicate of new and existing Canadian chartered banks and U.S. banks. The CSI Facility bears a variable interest rate and is due in full on August 11, 2020 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, 2017, $nil (December 31, 2016 – $nil) had been drawn from this credit facility, and letters of credit totaling $17,884 (December 31, 2016 - $15,377) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the CSI Facility in the amount of $1,212 have been capitalized and 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, 2017 relating to this line-of-credit amounted to $67 (March 31, 2016 - $22). As at March 31, 2017 the carrying amount of such costs is $920 (December 31 2016 - $987).

On June 24, 2014 Constellation Software Netherlands Holding Cooperatief U.A. ("CNH"), a subsidiary of Constellation and the indirect owner of 100% of TSS, entered into a €150,000 term and €10,000 multicurrency revolving credit facility (the "CNH Facility") with a number of European and North American financial institutions. The CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The 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 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, 2017, €120,000 ($128,178) (December 31, 2016 - €120,000 ($126,183)) had been drawn from this credit facility. The terms of the CNH Facility require that €20,000 must be repaid in instalments between now and June 2020, and €100,000 is non-amortizing and due in June 2021. The remaining €20,000 term component of the CNH Facility is currently available and if drawn must be repaid in five equal instalments starting on June 24, 2018. As at March 31, 2017 no amounts had been drawn on the €10,000 multicurrency revolving component of the CNH Facility (December 31, 2016 - $nil). The revolving component of the CNH Facility is available for acquisitions, working capital needs, and other general corporate purposes until June 24, 2020. Transaction costs associated with the 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, 2017 relating to this facility amounted to $216 (March 31, 2016 - $216). As at March 31, 2017, the carrying amount of such costs relating to this facility totaling approximately $3,333 (€3,120) has been classified as part of the CNH Facility in the consolidated statement of financial position (December 31, 2016 - $3,486 (€3,316)).

The CNH Facility and CSI Facility are independent of each other. The CNH Facility is not guaranteed by Constellation or its subsidiaries nor is Constellation or its subsidiaries subject to the terms of the 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 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 is 7.6%. The rate from and including March 31, 2017 to but excluding March 31, 2018 will be 7.9%. From and including March 31, 2018 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 three months ended March 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 period ended March 31, 2017 and March 31, 2016, no options were exercised.

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

10. Provisions

At January 1, 2017	$	9,034
Reversal		(182)
Provisions recorded during the period		1,546
Provisions used during the period		(3,212)
Effect of movements in foreign exchange and other		96
At March 31, 2017	$	7,282
Provisions classified as current liabilities		6,309
Provisions classified as other non-current liabilities		973

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, 2017 was 31% (three months ended March 31, 2016 was 39%).

12. Capital and other components of equity

	Common Shares		
	Number		Amount
March 31, 2017	21,191,530	$	99,283
December 31, 2016	21,191,530	$	99,283

Dividends and other distributions to shareholders

During the three months ended March 31, 2017 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, 2017 representing $21,192 was paid and settled on April 5, 2017.

A dividend of $1.00 per share representing $21,192 was accrued as at December 31, 2016 and subsequently paid and settled on January 5, 2017.

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

13. Finance and other income and finance costs

	Three months ended March 31, 2017	2016
Losses (gains) on sale of available-for-sale financial assets transferred from other comprehensive income	$ 879	$ -
Interest income on cash	(767)	(84)
Finance and other income	(133)	75
Finance and other income	$ (21)	$ (9)
Interest expense on bank indebtedness and debentures	$ 5,455	$ 6,097
Amortization of debt related transaction costs	283	238
Amortization of debenture discount (premium) and associated rights offering, net	(1,011)	(1,002)
Other finance costs	531	422
Finance costs	$ 5,258	$ 5,755

During 2014, the Company entered into a floating-to-fixed interest rate swap to manage its cash-flow interest rate risk associated with the CNH Facility. The notional principal amount of the outstanding floating to fixed interest rate swap contract at March 31, 2017 was €120,000. The fair value of the interest rate swap contract at March 31, 2017 was $349 (December 31, 2016 - $503) and is recorded in accumulated other comprehensive income (loss).

14. Earnings per share

Basic and diluted earnings per share

	Three months ended March 31, 2017	2016
Numerator:		
Net income	$ 40,433	$ 18,671
Denominator:		
Basic and diluted shares outstanding	21,192	21,192
Earnings per share		
Basic and diluted	$ 1.91	$ 0.88

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

15. Financial instruments

Fair values versus carrying amounts

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends 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 equity securities available for sale and the TSS Membership Liability approximates their fair value.

The Company has capitalized transaction costs associated with the CSI Facility and CNH Facility. As at March 31, 2017, the fair value of the CNH Facility is $128,178 and the carrying value is $124,845 (December 31, 2016: fair value of $126,183 and carrying value of $122,697). As at March 31, 2017, the fair value of the Debentures is $245,122 and the carrying value is $225,046 (December 31, 2016: fair value of $243,514 and carrying value of $223,870).

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.

Financial assets and financial liabilities measured at fair value as at March 31, 2017 and December 31, 2016 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, 2017				December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:								
Available-for-sale equity securities	$ 996	$ -	$ -	$ 996	$ 4,236	$ -	$ -	$ 4,236
	996	**-**	**-**	**996**	**4,236**	**-**	**-**	**4,236**
Liabilities:								
Contingent consideration	$ -	$ -	$ 16,627	$ 16,627	$ -	$ -	$ 15,538	$ 15,538
Interest rate swap contract	-	349	-	349	-	503	-	503
	-	**349**	**16,627**	**16,976**	**-**	**503**	**15,538**	**16,041**

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, 2017 and 2016.

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

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, 2017	15,538
Increase from business acquisitions	856
Cash payments	(1,125)
Charges through profit or loss	184
Foreign exchange and other movements	1,174
Balance at March 31, 2017	16,627
Contingent consideration classified as current liabilities	7,570
Contingent consideration classified as other non-current liabilities	9,057

Estimates of the fair value of contingent consideration is 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, 2017	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 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 income	(100)	(41)	120	(21)
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)

Three months ended March 31, 2016	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 321,746	$ 165,236	$ -	$ 486,982
Expenses				
Staff	168,601	85,555	1,071	255,227
Hardware	13,624	4,572	-	18,196
Third party licenses, maintenance and professional services	24,945	19,649	-	44,594
Occupancy	7,320	4,656	65	12,041
Travel	9,695	3,951	41	13,687
Telecommunications	2,965	1,978	15	4,958
Supplies	1,530	894	8	2,432
Software and equipment	6,793	1,650	38	8,481
Professional fees	4,831	1,293	619	6,743
Other, net	2,996	4,825	210	8,031
Depreciation	3,420	1,449	4	4,873
Amortization of intangible assets	30,117	16,955	-	47,072
	276,837	147,427	2,071	426,335
Foreign exchange (gain) loss	936	3,048	15,222	19,206
TSS membership liability revaluation charge	5,180	-	-	5,180
Equity in net (income) loss of equity investees	(74)	-	(150)	(224)
Finance income	(18)	9	-	(9)
Finance costs	1,564	308	3,883	5,755
Intercompany expenses (income)	9,775	3,472	(13,247)	-
	17,363	6,837	5,708	29,908
Profit before income tax	27,546	10,972	(7,779)	30,739
Current income tax expense (recovery)	12,052	6,253	(1,551)	16,754
Deferred income tax expense (recovery)	(2,084)	(2,482)	(120)	(4,686)
Income tax expense (recovery)	9,968	3,771	(1,671)	12,068
Net income	17,578	7,201	(6,108)	18,671

(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, 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 working capital

	Three months ended March 31,			
		2017		2016
Decrease (increase) in accounts receivable	$	(2,338)	$	3,598
Decrease (increase) in work in progress		(2,860)		(2,579)
Decrease (increase) in other current assets		(12,656)		(5,742)
Decrease (increase) in inventory		(1,906)		(1,126)
Decrease (increase) in non-current assets		633		(195)
Increase (decrease) in other non-current liabilities		(294)		(5,552)
Increase (decrease) in accounts payable and accrued liabilities, excluding holdbacks from acquisitions		(46,174)		(38,254)
Increase (decrease) in deferred revenue		138,671		93,582
Increase (decrease) in provisions		(1,859)		(1,836)
Change in non-cash operating working capital	$	71,217	$	41,896

19. Subsequent events

On April 27, 2017 the Company declared a $1.00 per share dividend that is payable on July 6, 2017 to all common shareholders of record at close of business on June 16, 2017.

Subsequent to March 31, 2017, the Company entered into agreements to acquire 100% of the shares of five entities and the assets of one entity for aggregate cash consideration of $37,957 on closing plus cash holdbacks of $5,441 for total consideration of $43,398. The business acquisitions include companies catering to the healthcare, automotive, retail management and distribution, school and special library, asset management and agriculture equipment dealers' markets, and are all software companies similar to the existing business of the Company. Four of the businesses will be included in the Company's Public Sector segment, and two in the Private Sector segment.