



Constellation Software Inc.

FINANCIAL REPORT

Fourth Quarter Fiscal Year 2021

For the three months and fiscal year ended
December 31, 2021

CONSTELLATION SOFTWARE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis should be read in conjunction with the Annual Consolidated Financial Statements for the year ended December 31, 2021, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. All references to "\$" are to U.S. dollars and all references to "C\$" are to Canadian dollars. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Additional information about Constellation Software Inc. (the "Company" or "Constellation"), including our most recently filed Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, February 10, 2022. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Free cash flow available to shareholders.

Free cash flow available to shareholders "FCFA2S" refers to net cash flows from operating activities less interest paid on lease obligations, interest paid on other facilities, credit facility transaction costs, repayments of lease obligations, the IRGA / TSS membership liability revaluation charge, and property and equipment purchased, and includes interest and dividends received. The portion of this amount applicable to non-controlling interests is then deducted. We believe that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not make any acquisitions, or investments, and do not repay any debts. While we could use the FCFA2S to pay dividends or repurchase shares, our objective is to invest all of our FCFA2S in acquisitions which meet our hurdle rate.

FCFA2S is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities. See “Results of Operations —Free cash flow available to shareholders” for a reconciliation of FCFA2S to net cash flows from operating activities.

Corporate Reorganization

On January 4, 2021 (in anticipation of the acquisition of Topicus.com B.V.), the Company’s subsidiary, Constellation Software Netherlands Holding Coöperatief U.A. (“CSNH”), which principally holds the Total Specific Solutions Operating Group (“TSS”), completed a corporate reorganization. In conjunction with the reorganization, the following steps were completed on January 4, 2021:

- CSNH changed its name to Topicus.com Coöperatief U.A. (“Topicus Coop”).
- The Company engaged in a series of transactions the result of which was that its then existing equity interest in Topicus Coop became an equity interest in Topicus.com Inc. (“Topicus”) and Topicus became the new parent company of Topicus Coop. Topicus issued and Constellation received 39,412,385 preferred shares of Topicus (the “Topicus Preferred Shares”) and 39,412,385 subordinate voting shares of Topicus (the “Topicus Subordinate Voting Shares”). CSI distributed 39,412,367 of the Topicus Subordinate Voting Shares to its common shareholders pursuant a dividend-in-kind and continues to hold 18 Topicus Subordinate Voting Shares of Topicus.
- Constellation also holds 1 super voting share of Topicus (the “Topicus Super Voting Share”). The Topicus Super Voting Share entitles Constellation to that number of votes that equals 50.1% of the aggregate number of votes attached to all the outstanding Topicus Super Voting Shares and Topicus Subordinate Voting Shares. As a result, Constellation Software Inc. controls Topicus.
- Topicus Coop issued 19,665,642 Preference Units and 19,665,642 Ordinary Units to Joday Investments II B.V. (“Joday”) and certain individual investors affiliated therewith (being the previous minority owners of CSNH) (collectively known as the “Joday Group”).

The Company now reflects a non-controlling interest in Topicus of 69.7% as at December 31, 2021. The equity interest of 30.3% that the Company reflects in Topicus principally comprises the ordinary units of Topicus Coop (“Topicus Coop Ordinary Units”) that are currently owned by the Joday Group and subject to the terms of the investor rights and governance agreement entered into by CSI, the Joday Group, Ijssel B.V., Topicus and Topicus Coop on January 5, 2021 (the “IRGA”).

Overview

We acquire, manage and build vertical market software (“VMS”) businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular markets. Our focus on acquiring businesses with growth potential, managing them well and then building them, has allowed us to generate significant cash flows and revenue growth during the past several years.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements. Maintenance and other recurring revenue primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include rights to certain product updates “when and if available”. Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer

solutions, as well as sales of customized hardware assembled internally. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs, depreciation, and other general operating expenses.

Results of Operations

(In millions of dollars, except percentages and per share amounts)

Unaudited

	Three months ended December 31,				Period-Over- Period Change				Year ended December 31,				Period-Over-Period Change			
	2021	2020	\$	%					2021	2020	\$	%				
Revenue	1,383	1,091	291	27%					5,106	3,969	1,137	29%				
Expenses	1,004	774	230	30%					3,716	2,843	873	31%				
Amortization of intangible assets	142	110	32	29%					518	403	114	28%				
Foreign exchange (gain) loss	4	(3)	7	NM					1	2	(1)	-51%				
IRGA / TSS membership liability revaluation charge	25	10	15	152%					132	65	67	104%				
Finance and other income	2	0	1	351%					(7)	(4)	(4)	100%				
Bargain purchase gain	(1)	(1)	0	NM					(2)	(2)	(0)	29%				
Impairment of intangible and other non-financial assets	5	1	4	266%					12	12	(0)	-4%				
Redeemable preferred securities expense (income)	-	-	-	NM					295	-	295	NM				
Finance costs	18	12	6	50%					68	46	22	47%				
Income before income taxes	184	189	(4)	-2%					374	603	(229)	-38%				
Income tax expense (recovery)																
Current income tax expense (recovery)	48	44	4	8%					257	221	35	16%				
Deferred income tax expense (recovery)	(8)	(4)	(4)	98%					(51)	(55)	4	-6%				
Income tax expense (recovery)	40	40	(0)	-1%					206	167	39	23%				
Net income (loss) attributable to:																
Equity holders of CSI	124	149	(25)	-17%					310	436	(126)	-29%				
Non-controlling interests	21	-	21	NM					(142)	-	(142)	NM				
Net income (loss)	145	149	(4)	-3%					169	436	(268)	-61%				
Net cash flows from operating activities	341	355	(14)	-4%					1,300	1,186	114	10%				
Free cash flow available to shareholders	244	307	(63)	-21%					883	989	(106)	-11%				
Weighted average number of shares outstanding																
Basic and diluted	21.2	21.2							21.2	21.2						
Net income (loss) per share																
Basic and diluted	\$ 5.86	\$ 7.02	\$ (1.16)	-17%					\$ 14.65	\$ 20.59	\$ (5.94)	-29%				
Net cash flows from operating activities per share																
Basic and diluted	\$ 16.09	\$ 16.73	\$ (0.64)	-4%					\$ 61.33	\$ 55.96	\$ 5.37	10%				
Free cash flow available to shareholders per share																
Basic and diluted	\$ 11.50	\$ 14.47	\$ (2.98)	-21%					\$ 41.69	\$ 46.68	\$ (4.99)	-11%				
Cash dividends declared per share																
Basic and diluted	\$ 1.00	\$ 1.00	\$ -	0%					\$ 4.00	\$ 4.00	\$ -	0%				
Total assets									5,766	4,375	1,390	32%				
Total long-term liabilities									1,784	1,288	496	39%				

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Comparison of the three and twelve month periods ended December 31, 2021 and 2020

Revenue:

Total revenue for the quarter ended December 31, 2021 was \$1,383 million, an increase of 27%, or \$291 million, compared to \$1,091 million for the comparable period in 2020. For the year ended December 31, 2021 total revenues were \$5,106 million, an increase of 29%, or \$1,137 million, compared to \$3,969 million for the 2020 fiscal year. The increase for both the three and twelve month periods compared to the same periods in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of 4% and 7% respectively, 5% for both periods after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended December 31,		Period-Over- Period Change		Q420 Proforma Adj. (Note 1)	Organic Growth		Year ended December 31,		Period-Over- Period Change		Q420 Proforma Adj. (Note 2)	Organic Growth
	<u>2021</u>	<u>2020</u>	\$	%	\$	%		<u>2021</u>	<u>2020</u>	\$	%	\$	%
	(\$ in millions, except percentages)							(\$ in millions, except percentages)					
Licenses	81	68	13	19%	10	4%		287	234	53	23%	40	5%
Professional services	286	217	69	32%	52	6%		1,033	751	282	37%	196	9%
Hardware and other	49	47	2	4%	8	-12%		176	169	7	4%	19	-7%
Maintenance and other recurring	967	759	208	27%	164	5%		3,611	2,815	796	28%	532	8%
	1,383	1,091	291	27%	234	4%		5,106	3,969	1,137	29%	787	7%

\$M - Millions of dollars

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Note 1: Estimated pre-acquisition revenues for the three months ended December 31, 2020 from companies acquired after September 30, 2020. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the twelve months ended December 31, 2020 from companies acquired after December 31, 2019. (Obtained from unaudited vendor financial information.)

For comparative purposes the table below shows the quarterly organic growth as compared to the same period in the prior year by revenue type since Q4 2019.

	Quarter Ended									
	Dec. 31 <u>2019</u>	Mar. 31 <u>2020</u>	Jun. 30 <u>2020</u>	Sep. 30 <u>2020</u>	Dec. 31 <u>2020</u>	Mar. 31 <u>2021</u>	Jun. 30 <u>2021</u>	Sep. 30 <u>2021</u>	Dec. 31 <u>2021</u>	
Licenses	-10%	-8%	-30%	-10%	-6%	-4%	18%	3%	4%	
Professional services	-8%	-8%	-17%	-8%	-4%	6%	17%	8%	6%	
Hardware and other	-22%	3%	-23%	-7%	-13%	-12%	15%	-12%	-12%	
Maintenance and other recurring	2%	0%	-3%	2%	4%	7%	12%	8%	5%	
Revenue	-3%	-2%	-8%	-1%	1%	6%	14%	7%	4%	

The following table shows the same information adjusting for the impact of foreign exchange movements.

	Quarter Ended								
	Dec. 31	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2021</u>	<u>2021</u>
Licenses	-9%	-7%	-28%	-11%	-7%	-8%	12%	2%	5%
Professional services	-7%	-6%	-16%	-10%	-6%	1%	10%	6%	8%
Hardware and other	-21%	4%	-22%	-10%	-15%	-16%	9%	-13%	-11%
Maintenance and other recurring	3%	2%	-1%	1%	2%	3%	7%	6%	6%
Revenue	-2%	0%	-7%	-3%	-1%	1%	8%	5%	5%

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended December 31,				Period-Over- Period Change			
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
	(\$ in millions, except percentages)				(\$ in millions, except percentages)			
Expenses								
Staff	714	557	157	28%	2,695	2,050	645	31%
Hardware	28	27	1	5%	99	97	2	2%
Third party license, maintenance and professional services	116	93	23	25%	433	330	103	31%
Occupancy	10	9	1	13%	40	35	5	14%
Travel, Telecommunications, Supplies & Software and equipment	57	38	19	49%	186	152	33	22%
Professional fees	26	19	7	36%	79	60	19	31%
Other, net	22	3	19	548%	62	13	49	373%
Depreciation	31	28	3	11%	121	105	16	15%
	1,004	774	230	30%	3,716	2,843	873	31%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Overall expenses for the quarter ended December 31, 2021 increased 30%, or \$230 million to \$1,004 million, compared to \$774 million during the same period in 2020. As a percentage of total revenue, expenses equalled 73% for the quarter ended December 31, 2021 and 71% for the same period in 2020. During the fiscal year ended December 31, 2021, expenses increased 31%, or \$873 million to \$3,716 million, compared to \$2,843 million during the 2020 fiscal year. As a percentage of total revenue, expenses were 73% for the fiscal year ended December 31, 2021 and 72% for the same period in 2020. For the three and twelve months ended December 31, 2021 the change in valuation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 1% decrease and 2% increase in expenses respectively compared to the comparable periods of 2020.

Staff expense – Staff expenses increased 28% or \$157 million for the quarter ended December 31, 2021 and 31% or \$645 million for the fiscal year ended December 31, 2021 over the same periods in 2020. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of

the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended December 31,		Period-Over- Period Change			Year ended December 31,		Period-Over- Period Change	
	<u>2021</u>	<u>2020</u>	\$	%		<u>2021</u>	<u>2020</u>	\$	%
	(\$ in millions, except percentages)					(\$ in millions, except percentages)			
Professional services	148	113	35	31%		558	431	127	29%
Maintenance	144	107	36	34%		539	402	137	34%
Research and development	193	154	39	25%		732	579	153	26%
Sales and marketing	101	78	22	29%		369	283	86	30%
General and administrative	128	105	24	23%		497	355	143	40%
	714	557	157	28%		2,695	2,050	645	31%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The increase in staff expenses for the three and twelve months ended December 31, 2021 was primarily due to the growth in the number of employees compared to the same periods in 2020 primarily due to acquisitions.

Hardware expenses – Hardware expenses increased 5% or \$1 million for the quarter ended December 31, 2021 and 2% or \$2 million for the fiscal year ended December 31, 2021 over the same periods in 2020 as compared with the 4% increase in hardware and other revenue for both the three and twelve month periods ended December 31, 2021 over the comparable periods in 2020. Hardware margins for the three and twelve months ended December 31, 2021 were 42% and 44% respectively as compared to 43% for both the comparable periods in 2020.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 25% or \$23 million for the quarter ended December 31, 2021 and 31% or \$103 million for the fiscal year ended December 31, 2021 over the same periods in 2020. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses – Occupancy expenses increased 13% or \$1 million for the quarter ended December 31, 2021 and 14% or \$5 million for the fiscal year ended December 31, 2021 over the same periods in 2020. The increase is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications, Supplies & Software and equipment expenses – Travel, Telecommunications, Supplies & Software and equipment expenses increased 49% or \$19 million for the quarter ended December 31, 2021 and 22% or \$33 million for the fiscal year ended December 31, 2021 over the same periods in 2020. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 36% or \$7 million for the quarter ended December 31, 2021 and 31% or \$19 million for the fiscal year ended December 31, 2021 over the same periods in 2020. There are no individually material reasons contributing to this variance.

Other, net – Other expenses increased 548% or \$19 million for the quarter ended December 31, 2021 and 373% or \$49 million for the fiscal year ended December 31, 2021 over the same periods in 2020. The following table provides a further breakdown of expenses within this category.

	Three months ended December 31,		Period-Over-Period Change			Year ended December 31,		Period-Over-Period Change	
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>		<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
	(\$ in millions, except percentages)					(\$ in millions, except percentages)			
Advertising and promotion	17	10	7	70%		54	38	16	41%
Recruitment and training	7	4	3	75%		22	12	10	84%
Bad debt expense	(0)	1	(2)	NM		2	9	(7)	-80%
R&D tax credits	(13)	(11)	(2)	15%		(33)	(28)	(5)	17%
Contingent consideration	6	5	1	21%		14	5	9	166%
Government assistance	(1)	(11)	10	-88%		(17)	(41)	24	-58%
Other expense, net	7	6	1	24%		20	17	3	18%
	22	3	19	548%		62	13	49	373%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The governments of various jurisdictions in which we have operations have approved legislation and taken administrative actions intended to aid businesses that have been adversely impacted by COVID-19, including making grants or credits available to eligible entities to subsidize or offset qualifying expenses, including employee wages, or to lower payroll taxes or required social insurance programs (in certain countries), in each case subject to limits and other specified criteria. During the year ended December 31, 2021, we determined that we qualify for an estimated aggregate amount of \$17 million of grants from various government authorities, including the Canada Emergency Wage Subsidy (CEWS) announced by the Government of Canada in April 2020, and recognized such amounts as a reduction in expenses during the period. We have either submitted, or expect to submit, claims for such grants. As at December 31, 2021, the amount of grants receivable totaled \$0.1 million. We will continue to evaluate all applicable government relief programs but currently do not anticipate applying for any significant governmental assistance in Q1 2022, or thereafter.

The contingent consideration expense amounts recorded for the three and twelve months ended December 31, 2021 related to an increase in anticipated acquisition earnout payment accruals primarily as a result of increases to revenue forecasts for the associated acquisitions. Revenue forecasts are updated on a quarterly basis and the related anticipated acquisition earnout payment accruals are updated accordingly. The advertising and promotion increase is primarily related to spending by acquired businesses and a gradual return to pre-COVID-19 levels of spending on trade shows and other marketing activities. Recruitment and training expenses have increased as many businesses that had a freeze on hiring as a result of COVID-19 are now starting to hire.

There are no individually material reasons contributing to the remaining variances.

Depreciation – Depreciation of property and equipment and right of use assets increased 11% or \$3 million for the quarter ended December 31, 2021 and 15% or \$16 million for the fiscal year ended December 31, 2021 over the same periods in 2020. The increases are primarily due to the depreciation expense associated with acquired businesses.

Other Income and Expenses:

The following table displays the breakdown of our other income and expenses:

	Three months ended December 31,		Period-Over- Period Change			Year ended December 31,		Period-Over- Period Change	
	2021	2020	\$	%		2021	2020	\$	%
	(\$ in millions, except percentages)					(\$ in millions, except percentages)			
Amortization of intangible assets	142	110	32	29%		518	403	114	28%
Foreign exchange (gain) loss	4	(3)	7	NM		1	2	(1)	-51%
IRGA / TSS membership liability revaluation charge	25	10	15	152%		132	65	67	104%
Finance and other expense (income)	2	0.3	1	351%		(7)	(4)	(4)	100%
Bargain purchase gain	(1)	(1)	0	-22%		(2)	(2)	(0)	29%
Impairment of intangible and other non-financial assets	5	1	4	266%		12	12	(0)	-4%
Redeemable preferred securities expense (income)	-	-	-	NM		295	-	295	NM
Finance costs	18	12	6	50%		68	46	22	47%
Income tax expense (recovery)	40	40	(0)	-1%		206	167	39	23%
	234	169	65	39%		1,222	690	532	77%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Amortization of intangible assets – Amortization of intangible assets increased 29% or \$32 million for the quarter ended December 31, 2021 and 28% or \$114 million for the fiscal year ended December 31, 2021 over the same periods in 2020. The increase in amortization expense for the three and twelve months ended December 31, 2021 is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended December 31, 2021 as a result of acquisitions completed during this twelve-month period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the three and twelve months ended December 31, 2021, we realized foreign exchange losses of \$4 million and \$1 million respectively compared to a gain of \$3 million and loss of \$2 million for the same periods in 2020. The following table provides a breakdown of these amounts.

	Three months ended December 31,		Period-Over-Period Change			Year ended December 31,		Period-Over-Period Change	
	2021	2020	\$	%		2021	2020	\$	%
	(\$ in millions, except percentages)					(\$ in millions, except percentages)			
Unrealized foreign exchange (gain) loss related to:									
- revaluation of intercompany loans between entities with differing functional currencies ⁽¹⁾	9	(18)	27	NM		20	(12)	32	NM
- revaluation of the Company's unsecured subordinated floating rate debentures as a result of the appreciation (depreciation) of the Canadian dollar against the US dollar.	0	10	(10)	-98%		1	5	(4)	-83%
- revaluation of the liability associated with the IRGA (Euro denominated liability)	(8)	-	(8)	NM		(24)	-	(24)	NM
Remaining foreign exchange (gain) loss	3	4	(2)	-35%		4	9	(5)	-52%
	4	(3)	7	NM		1	2	(1)	-53%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

(1) Offsetting amounts recorded in other comprehensive income. Net impact to Total comprehensive income for each period is nil.

The remaining foreign exchange gains and losses per the table above are primarily related to the unrealized foreign exchange translation gains and losses of certain non-US dollar denominated working capital balances to US dollars as a result of the depreciation or appreciation of the US dollar.

IRGA / TSS membership liability revaluation charge – On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of TSS by CSI, and on the basis of the term sheets attached thereto, Constellation and the Joday Group, among others, entered into a Members Agreement (the “Members Agreement”) pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A.), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was €39 million (\$49 million).

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. The Joday Group’s interest in Topicus Coop now comprises 19,665,642 Topicus Coop Ordinary Units and 19,665,642 Topicus Coop Preference Units (collectively the “Topicus Coop Units”) resulting in an interest of 30.29% in Topicus Coop as of December 31, 2021. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units. See “Liability of CSI under the terms of the IRGA” below for further details.

The valuation of the IRGA liability (previously the TSS membership liability) increased by approximately 7% or \$25 million from Q3 2021, and approximately 43% or \$132 million from Q4 2020. The increases are primarily the result of the growth in TSS’ reported trailing twelve month maintenance revenue (primarily due to acquisitions). Maintenance revenue and net tangible assets are the two main drivers in the calculation of the liability. Also, in conjunction with the termination of the Members Agreement and the execution of the IRGA, the formula associated with the calculation of the obligation has changed from the use of actual trailing twelve months maintenance and other recurring revenue of Topicus to a calculation which includes the revenue increase from acquired companies on a pro-forma basis. The liability recorded on the balance sheet increased by 27% or \$83 million over the twelve month period ended December 31, 2021 from \$311 million to \$395 million as a result of the revaluation charge of \$132 million offset by a distribution to the Joday Group of \$22 million and a \$27 million foreign exchange gain. (A portion of the gain was recorded through other comprehensive income and a portion through net income.) The IRGA / TSS membership liability is denominated in Euros and the Euro depreciated 7% versus the US dollar during 2021.

Finance and other expense (income) – Finance and other expense (income) for the three and twelve months ended December 31, 2021 was a \$2 million expense and income of \$7 million respectively, compared to an expense of \$0.3 million and income of \$4 million respectively for the same periods in 2020. Interest earned on cash balances for the three and twelve months ended December 31, 2021 was \$0.4 million and \$2 million respectively, compared to \$0.5 million and \$1 million respectively for the same periods in 2020.

Bargain purchase gain – Bargain purchase gains totalling \$1 million and \$2 million were recorded in the three and twelve month periods ended December 31, 2021 relating to four acquisitions made during 2020 and 2021. The gains resulted from the fact that the fair value of the separately identifiable assets and liabilities acquired exceeded the total consideration paid, principally due to the acquisition of certain assets that will benefit the Company that had limited value to the sellers.

Impairment of intangible and other non-financial assets – Impairment expenses of \$5 million and \$12 million were recorded in the three and twelve month periods ended December 31, 2021 compared to \$1 million and \$12 million for the same periods in 2020. The 2021 expenses primarily relate to five business acquired in 2018, 2019 and 2020 that have been unable to achieve the goals established in their associated investment thesis. COVID-19 did have a negative impact but was not the only reason for the poor performance. \$3 million of the 2020 expense relates to a business acquired in 2012 for which a decision was made to transition focus to a business acquired in 2019 within the same vertical. The remaining 2020 expenses primarily relate to twelve businesses acquired during

2018 and 2019 where the forecasted cash flows had declined significantly from the forecasted cash flows at the time of acquisition primarily due to the near-term impact, as well as the yet uncertain but probable longer-term impact of the COVID-19 pandemic.

Redeemable preferred securities expense (income) – The redeemable preferred securities expense for the year ended December 31, 2021 was \$295 million, with no similar expense recorded for the same period in 2020. In conjunction with the acquisition of Topicus.com B.V., Topicus Coop issued 5,842,882 Topicus Coop Preference Units (the “Preferred Securities”) to Ijssel B.V. The Preferred Securities are non-voting and prior to the Notification of Conversion (as defined below), were redeemable at the option of the holder for a redemption price of approximately €19.06 (\$23.28) per security. The redemption price was either to be settled in cash or through the issuance of a variable number of Topicus Coop Ordinary Units of equal value. The Preferred Securities are convertible into Topicus Coop Ordinary Units at a conversion ratio of 1:1, and the Topicus Coop Ordinary Units are convertible into Subordinate Voting Shares of Topicus also at a conversion ratio of 1:1. The Preferred Securities holders are also be entitled to a fixed annual cumulative dividend of 5% per annum on the initial Preferred Securities value of approximately €19.06 (\$23.28) per security.

The Preferred Securities had been recorded at fair value at the end of each reporting period until the Notification of Conversion (as defined below). The change in fair value of the Preferred Securities was recorded as redeemable preferred securities expense (income) in the condensed consolidated interim statements of income (loss) up to the date of the Notification of Conversion (as defined below).

During the three months ended June 30, 2021, the Preferred Securities reached the Mandatory Conversion Moment (as described in note 12 to the Annual Consolidated Financial Statements for the year ended December 31, 2021). As a result of reaching the Mandatory Conversion Moment, the Preferred Securities holders notified Topicus that they were electing to convert their Preferred Securities into Topicus Coop Ordinary Units, which conversion would become effective on February 1, 2022 (“**Notification of Conversion**”). On the date that Topicus received the Notification of Conversion from the Preferred Securities holders, the Preferred Securities were re-classified from a liability to equity (non-controlling interest) because the Preferred Securities were no longer redeemable for cash or through the issuance of Topicus Coop Ordinary Units of equal value, or any combination thereof. Following receipt of the Notice of Conversion, the Preferred Securities holders are required to convert their Preferred Securities to Topicus Coop Ordinary Units on February 1, 2022, however, they could have chosen to convert prior to February 1, 2022 pursuant to the Topicus Coop Preference Unit Conversion Right (as described in note 12 to the Annual Consolidated Financial Statements for the year ended December 31, 2021). On the Notification of Conversion date, the Company also accrued the expected dividend to be paid relating to the period from the Notification of Conversion date to the expected conversion date of February 1, 2022. The dividend to be paid relating to this period has been recorded directly in equity (non-controlling interest).

As noted above, the fair value of the Preferred Securities had been recorded at fair value at the end of each reporting period until the Notification of Conversion. Based on the Preferred Securities conversion right, the fair value of the Preferred Securities was primarily dependent on the price movement of Topicus’ Subordinate Voting Shares. The Notification of Conversion was received from the Preferred Securities holders on May 17, 2021. The closing market price of Topicus’ Subordinate Voting Shares on that date was C\$89.87 or approximately \$74.28. The increase in value from \$23.28 to \$74.28 multiplied by the 5.8 million Preferred Securities outstanding equalled approximately \$298 million. The difference between the increase of \$298 million and the fair value adjustment of \$295 million for the year ended December 31, 2021 primarily relates to the accrued dividend of \$3 million for the period.

Further descriptions of the significant terms and conditions of the Preferred Securities are described in Note 12 to the Company’s Annual Consolidated Financial Statements for the year ended December 31, 2021.

Finance costs – Finance costs for the quarter ended December 31, 2021 increased \$6 million to \$18 million, compared to \$12 million for the same period in 2020. During the fiscal year ended December 31, 2021, finance

costs increased \$22 million to \$68 million, from \$46 million during the 2020 fiscal year. The increases are primarily a result of an increase in the average debt outstanding in 2021 as compared to 2020.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the quarter ended December 31, 2021, income tax expense decreased \$0.3 million to \$40 million compared to \$40 million for the same period in 2020. During the year ended December 31, 2021, income tax expense increased \$39 million to \$206 million compared to \$167 million for the same period in 2020. Current tax expense has historically approximated our cash tax rate however the quarterly expense can sometimes fall outside of the annual range due to out of period adjustments. Current tax expense reflects gross taxes before the application of R&D tax credits which are classified as part of “other, net” expenses in the statement of income (loss). The Company’s consolidated effective tax rate in respect of continuing operations for the year ended December 31, 2021 was 55% (28% for the year ended December 31, 2020). The 2021 effective tax rate is impacted by the redeemable preferred securities expense, which is not deductible for tax purposes.

Constellation is subject to tax audits in the countries in which the Company carries on 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.

Net Income and Earnings per Share:

The net income attributable to common shareholders of CSI for the quarter ended December 31, 2021 was \$124 million compared to net income of \$149 million for the same period in 2020. On a per share basis this translated into a net income per basic and diluted share of \$5.86 in the quarter ended December 31, 2021 compared to net income per basic and diluted share of \$7.02 for the same period in 2020. For the year ended December 31, 2021, net income attributable to common shareholders of CSI was \$310 million or \$14.65 per basic and diluted share compared to \$436 million or \$20.59 per basic and diluted share for the same period in 2020. There was no change in the number of shares outstanding.

Net cash flows from operating activities (“CFO”):

For the quarter ended December 31, 2021, CFO decreased \$14 million to \$341 million compared to \$355 million for the same period in 2020 representing a decrease of 4%. For the fiscal year ended December 31, 2021, CFO increased \$114 million to \$1,300 million compared to \$1,186 million for the 2020 fiscal year representing an increase of 10%.

Free cash flow available to shareholders (“FCFA2S”):

For the quarter ended December 31, 2021, FCFA2S decreased \$63 million to \$244 million compared to \$307 million for the same period in 2020 representing a decrease of 21%. For the fiscal year ended December 31, 2021, FCFA2S decreased \$106 million to \$883 million compared to \$989 million for the 2020 fiscal year representing a decrease of 11%. The increase in the IRGA / TSS membership liability revaluation charge as well as the non-controlling interests, both primarily related to the purchase of Topicus.com B.V, were the main reasons for the decrease. See “Spin-Out of Topicus.com Inc.” below for further details.

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended December 31,		Year ended December 31,	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(\$ in millions, except percentages)		(\$ in millions, except percentages)	
Net cash flows from operating activities	341	355	1,300	1,186
Adjusted for:				
Interest paid on lease obligations	(2)	(2)	(9)	(8)
Interest paid on other facilities	(10)	(10)	(40)	(32)
Credit facility transaction costs	(2)	(1)	(6)	(2)
Payments of lease obligations	(22)	(19)	(83)	(66)
IRGA / TSS membership liability revaluation charge	(25)	(10)	(132)	(65)
Property and equipment purchased	(10)	(6)	(29)	(25)
Interest and dividends received	0	0	2	1
	<u>271</u>	<u>307</u>	<u>1,003</u>	<u>989</u>
Less amount attributable to Non-controlling interests	(27)	-	(120)	-
Free cash flow available to shareholders	244	307	883	989

Due to rounding, certain totals may not foot.

Quarterly Results

	Quarter Ended								
	<u>Dec. 31</u> <u>2019</u>	<u>Mar. 31</u> <u>2020</u>	<u>Jun. 30</u> <u>2020</u>	<u>Sep. 30</u> <u>2020</u>	<u>Dec. 31</u> <u>2020</u>	<u>Mar. 31</u> <u>2021</u>	<u>Jun. 30</u> <u>2021</u>	<u>Sep. 30</u> <u>2021</u>	<u>Dec. 31</u> <u>2021</u>
Revenue	956	953	922	1,003	1,091	1,176	1,249	1,299	1,383
Net income (loss) *	92	83	83	122	149	(9)	88	107	124
CFO	255	361	237	234	355	495	171	292	341
FCFA2S	193	311	190	181	307	269	145	226	244
Net income per share *									
Basic & diluted	4.34	3.91	3.90	5.78	7.02	-0.41	4.16	5.04	5.86
CFO per share									
Basic & diluted	12.02	17.01	11.17	11.05	16.73	23.38	8.07	13.78	16.09
FCFA2S per share									
Basic & diluted	9.12	14.66	8.99	8.56	14.47	12.67	6.84	10.68	11.50

* Attributable to common shareholders of CSI

We experience seasonality in our operating results in that CFO and FCFA2S in the first quarter of every year is typically the highest and CFO and FCFA2S in the second quarter of every year is the lowest. The key driver impacting this seasonality is the timing of annual maintenance contract renewals. Our quarterly results may also fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions, acquired contract liabilities, foreign exchange gains and losses, bargain purchase gains, and gains or losses on the sale of financial and other assets.

Supplemental Financial Information

We are no longer including the non-IFRS and IFRS tables that were historically included in the annual letter to shareholders. However, the Average Invested Capital figure will be provided for purposes of calculating a return on invested capital metric. It will be left to the discretion of shareholders to determine what profitability metric to include in the numerator of such a calculation. The Average Invested Capital for 2021 was \$3,696 million.

“Average Invested Capital” represents the average equity capital of Constellation, and is based on the Company’s estimate of the amount of money that its common shareholders had invested in Constellation. Subsequent to that estimate, each period the Company has kept a running tally, adding a proxy for cash earnings, subtracting any dividends, adding any amounts related to share issuances and making some minor adjustments, including adjustments relating to our use of certain incentive programs and the amortization of impaired intangibles. The Company believes that Average Invested Capital is a useful measure as it approximates the retained earnings of the Company prior to taking into consideration amortization of intangible assets, deferred income taxes, and certain other non-cash expenses (income) incurred or recognized by the Company from time to time.

Spin-Out of Topicus.com Inc.

Constellation (TSX:CSU) and Topicus (TSXV:TOI) announced on January 5, 2021 that Constellation, acting through its Total Specific Solutions (“TSS”) operating group and its subsidiary TPCS Holding B.V., completed the purchase of 100% of the shares of Topicus.com B.V., a Netherlands-based diversified vertical market software provider, from IJssel B.V. and that in connection with the closing of the acquisition, TSS has been spun out of Constellation and now operates, together with Topicus.com B.V., as a separate public company, Topicus.com Inc. (collectively, the “Spin-Out Transactions”).

In connection with the completion of the Spin-Out Transactions, on January 4, 2021, all of Constellation’s common shareholders of record on December 28, 2020 received, by way of a dividend-in-kind, 1.859817814 subordinate voting shares of Topicus.com (the “Spin-Out Shares”) for each common share of Constellation held.

Constellation’s equity interest in TSS prior to the Spin-Out Transactions was 66.7%. Constellation’s equity interest in Topicus after completion of the Spin-Out Transactions on a fully diluted basis is approximately 30.4%. In addition, Constellation as the holder of the Topicus Super Voting Share is entitled to that number of votes that equals 50.1% of the aggregate number of votes attached to all of the outstanding voting shares at such time. As a result of the Topicus Super Voting Share Constellation consolidated the financial results of Topicus with its financial results.

The tables below provide certain supplemental balance sheet, statement of income, and net operating cash flow information of Topicus for the three months and year ended December 31, 2021. Topicus is not considered a reportable operating segment of Constellation, however, management has chosen to provide certain supplemental financial information to provide greater clarity into the operating performance and cash flow from operations of Topicus considering Constellation’s equity ownership.

Selected Balance Sheet Information
As at December 31, 2021

(Unaudited)	Constellation Software Inc. (excluding Topicus)		
	Topicus	Topicus	Consolidated
Cash	678	85	763
Bank debt	563	162	724

Statement of Income
(Excluding intercompany activity)

(Unaudited)	For the three months ended December 31, 2021			For the year ended December 31, 2021		
	Constellation Software Inc. (excluding Topicus)	Topicus	Consolidated	Constellation Software Inc. (excluding Topicus)	Topicus	Consolidated
Revenue	1,147	236	1,383	4,234	872	5,106
Expenses	835	169	1,004	3,073	642	3,716
Amortization of intangible assets	116	26	142	417	100	518
Foreign exchange (gain) loss	4	0	4	0	1	1
IRGA / Membership liability revaluation charge	25	-	25	132	-	132
Finance and other income	2	(0)	2	(6)	(1)	(7)
Bargain purchase gain	(1)	-	(1)	(2)	-	(2)
Impairment of intangible and other non-financial assets	5	-	5	10	2	12
Redeemable preferred securities expense (income)	-	-	-	-	295	295
Finance costs	15	3	18	54	13	68
Income before income taxes	147	38	184	555	(180)	374
Income tax expense (recovery)						
Current income tax expense (recovery)	35	13	48	210	47	257
Deferred income tax expense (recovery)	(4)	(4)	(8)	(30)	(21)	(51)
Income tax expense (recovery)	31	8	40	180	25	206
Net income	116	29	145	375	(206)	169
Net cash flows from operating activities	293	48	341	1,088	212	1,300

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended December 31, 2021			For the year ended December 31, 2021		
	Constellation Software Inc. (excluding Topicus)	Topicus	Consolidated	Constellation Software Inc. (excluding Topicus)	Topicus	Consolidated
Licenses	0%	41%	5%	2%	9%	2%
Professional services	7%	10%	8%	5%	9%	6%
Hardware and other	-10%	-22%	-11%	-8%	-20%	-9%
Maintenance and other recurring	5%	9%	6%	5%	7%	5%
Revenue	4%	10%	5%	4%	8%	5%

Liquidity

Our net cash position (cash less bank indebtedness excluding capitalized transaction costs) decreased by \$273 million to \$252 million in the fiscal year ended December 31, 2021 resulting from the net capital deployed on acquisitions plus dividends exceeding cash flows from operations. Cash increased by \$5 million to \$763 million at December 31, 2021 compared to \$758 million at December 31, 2020 and bank indebtedness increased by \$278 million to \$511 million at December 31, 2021 compared to \$233 million at December 31, 2020.

Total assets increased \$1,390 million, from \$4,375 million at December 31, 2020 to \$5,766 million at December 31, 2021. The increase is primarily due to the \$1,103 million increase in intangible assets and \$117 million increase in accounts receivable. At December 31, 2021 seven subsidiaries holding cash totalling \$132 million maintained debt facilities, which facilities are without recourse to Constellation. As explained in the “Capital Resources and Commitments” section below, there are limitations on the ability of these subsidiaries to distribute funds to Constellation.

Current liabilities increased \$421 million, from \$2,040 million at December 31, 2020 to \$2,461 million at December 31, 2021. The increase is primarily due to an increase in deferred revenue of \$196 million mainly due to acquisitions made since December 31, 2020 and the timing of maintenance and other billings versus performance and delivery under those customer arrangements, an increase in accounts payable and accrued liabilities of \$165 million, and an increase in bank indebtedness of \$62 million.

Net Changes in Cash Flows

(\$ in millions)

	Year ended December 31, 2021	Year ended December 31, 2020
Net cash provided by operating activities	1,300	1,186
Net cash from (used in) financing activities	(41)	(247)
Cash used in the acquisition of businesses	(1,337)	(582)
Cash obtained with acquired businesses	153	97
Net cash from (used in) other investing activities	(55)	(26)
Net cash from (used in) investing activities	(1,238)	(512)
Effect of foreign currency	(16)	15
Net increase (decrease) in cash and cash equivalents	5	442

The net cash flows from operating activities were \$1,300 million for the year ended December 31, 2021. The \$1,300 million provided by operating activities resulted from net income of \$169 million plus \$1,343 million of non-cash adjustments to net income and \$45 million of cash from non-cash operating working capital, offset by \$257 million in taxes paid.

The net cash flows used in financing activities for the year ended December 31, 2021 were \$41 million, which is mainly a result of dividends paid of \$85 million, a distribution to the Joday Group of \$22 million, lease obligation payments of \$83 million, and interest payments of \$49 million, offset by \$201 million from the net increase in debt facilities.

The net cash flows used in investing activities for the year ended December 31, 2021 were \$1,238 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of \$1,337 million (including payments for holdbacks relating to prior acquisitions, less the additional subscription amount of \$33 million received by Ijssel related to the acquisition of Topicus.com B.V.) offset by \$153 million of acquired cash.

We believe we have sufficient cash and available credit capacity to continue to operate for the foreseeable future. Generally our VMS businesses operate with negative working capital as a result of the collection of maintenance payments and other revenues in advance of the performance of the related services. As such, management anticipates that it can continue to grow the business organically without any additional funding. If we continue to acquire VMS businesses we may need additional external funding depending upon the size and timing of the potential acquisitions.

Capital Resources and Commitments

CSI Facility

On November 5, 2021, 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 \$700 million, extending its maturity date to November 2026. 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 December 31, 2021, \$nil had been drawn from this credit facility, and letters of credit totaling \$79 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis.

Guarantees

One of CSI’s subsidiaries has entered into a \$88 million (£65 million) term debt facility with a financial institution for which CSI has guaranteed the debt. The facility bears a fixed rate of interest. The term loan contains events of default that, if not remedied, allow the loan note holder to require repayment of the loan principal and interest. The loan is due in 2028.

Debt without recourse to CSI

Certain of CSI’s subsidiaries have entered into term debt facilities and revolving credit facilities with various financial institutions. Except as noted above, CSI does not guarantee the debt of its subsidiaries, nor are there any cross-guarantees between subsidiaries. The credit facilities are collateralized by substantially all of the assets of the borrowing entity and its subsidiaries. The credit facilities typically bear interest at a rate calculated using an interest rate index plus a margin. The financing arrangements for each subsidiary typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of acquisitions and sales of assets. In addition, certain financial covenants must be met by those subsidiaries that have outstanding debt.

Debt without recourse to CSI comprises the following (\$ in millions):

	Revolving Credit Facilities	Term Debt Facilities	Total
Principal outstanding at December 31, 2021 (and equal to fair value)	\$ 51	\$ 372	423
Deduct: Carrying value of transaction costs included in debt balance	(0)	(9)	(9)
Carrying value at December 31, 2021	51	363	414
Current portion	51	9	60
Non-current portion	-	354	354

Debentures

On October 1, 2014 and November 19, 2014, the Company issued unsecured subordinated debentures (the “Debentures”) with a total principal value of C\$96 million for total proceeds of C\$91 million. The proceeds were used by the Company to pay down \$81 million of outstanding bank indebtedness.

On September 30, 2015, the Company issued an additional tranche of Debentures with a total principal value of C\$186 million for total proceeds of C\$214 million. The proceeds were used by the Company to pay down \$130 million of outstanding bank indebtedness. The September 30, 2015 issuance formed a single series with the outstanding C\$96 million aggregate principal amount of Debentures, Series 1 of the Company. The Debentures have a maturity date of March 31, 2040.

Liability of CSI under the terms of the IRGA / TSS Membership Agreement

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of TSS by CSI, and on the basis of the term sheets attached thereto, Constellation and the Joday Group, among others, entered into a Members Agreement (the “Members Agreement”) pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A.), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was €39 (\$49).

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. The Joday Group’s interest in Topicus Coop now comprises 19,665,642 Topicus Coop Ordinary Units and 19,665,642 Topicus Coop Preference Units (collectively the “Topicus Coop Units”) resulting in an interest of 30.29% in Topicus Coop as of December 31, 2021. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units.

Any time after January 5, 2021, any member of the Joday Group has the right, at his or its option, to sell any number of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase 33.33% of such Topicus Coop Units within 30 days, and an additional 33.33% on each of the first and the second anniversary of such initial purchase. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

In the event of a change of control of CSI, any member of the Joday Group has the right, at his or its option, to sell all of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase all such Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

If CSI reduces its economic interest in Topicus by a sale or transfer of its economic interest (and not due to any additional issuance of any shares or equity by Topicus) by more than one-third (calculated on a fully converted basis in accordance with the IRGA), any member of the Joday Group has the right, at his or its option, to sell to CSI one-third of its Topicus Coop Units at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such put option by a member of the Joday Group, CSI will be obligated to purchase all such put Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI. Any member of the Joday Group has a similar right to sell one-half or all of its remaining Topicus Coop Units, respectively, at its option, if CSI further reduces its remaining fully-diluted economic interest in Topicus by a sale or transfer of its economic interest by one-half and again if CSI sells its entire remaining economic interest in Topicus.

All of the Topicus Coop Ordinary Units and Topicus Coop Preference Units held by the Joday Group and Ijssel B.V. (collectively, the “Topicus Coop Exchangeable Units”) are exchangeable, directly or indirectly, for Topicus Subordinate Voting Shares. All of the above rights of members of the Joday Group apply to any Topicus Subordinate Voting Shares issued on an exchange of Topicus Coop Exchangeable Units.

At any time after December 31, 2023, CSI has the right, at its option, to buy all of the Topicus Coop Units and shares of Topicus held by certain members of the Joday Group (excluding Joday) at a cash price per Topicus Coop Unit (or share of Topicus, as applicable) determined in accordance with the IRGA. After December 31, 2043, CSI has the same right to buy all of the Topicus Coop Units and shares of Topicus held by the remaining members of the Joday Group, including Joday.

In addition, if certain individuals affiliated with Joday are terminated from their employment with Topicus Coop or an affiliate thereof for urgent cause (as defined in the Dutch Civil Code), CSI has the right, at its option, to buy all of Topicus Coop Units held by such individuals at a cash price per Topicus Coop Unit determined in accordance with the IRGA.

The Company classified the above obligations of CSI under the terms of the IRGA as a liability consistent with the classification of similar obligations under the Members Agreement. The main valuation driver in the calculation of the liability is the maintenance and other recurring revenue of Topicus. Maintenance and recurring revenue of Topicus for the trailing twelve months on a pro-forma basis determined at the end of the current reporting period was used as the basis for valuing the interests at each purchase date. Any increase or decrease in the value of such liability is recorded as an expense or income in the consolidated statement of income for the period. In conjunction with the termination of the Members Agreement and the execution of the IRGA, the Company recognized an expense of \$19 million as the formula associated with the calculation of the obligation has changed from the use of actual trailing twelve months maintenance and other recurring revenue of Topicus to a calculation which includes the revenue increase from acquired companies on a pro-forma basis.

During the periods ended December 31, 2021 and December 31, 2020, no options were exercised.

Redeemable Preferred Securities

In conjunction with the acquisition of Topicus.com B.V., Topicus Coop issued 5,842,882 Topicus Coop Preference Units (the “Preferred Securities”) to Ijssel B.V. The Preferred Securities are non-voting and prior to the Notification of Conversion were redeemable at the option of the holder for a redemption price of approximately €19.06 per unit. The redemption price would have been either settled in cash or through the issuance of a variable number of Topicus Coop Ordinary Units of equal value. The Preferred Securities are convertible into Topicus Coop Ordinary Units at a conversion ratio of 1:1. The Preferred Securities holders are also entitled to a fixed annual cumulative dividend of 5% per annum on the initial Preferred Securities value of approximately €19.06 per unit.

The fair value of the Preferred Securities owned by Ijssel B.V. at issuance was \$136 million and was classified as a liability. The Company had determined that the conversion option associated with the Preferred Securities did not result in a fixed amount of cash being exchanged for a fixed amount of units (e.g. the conversion option does not meet the “fixed for fixed” requirement). As a result, the Preferred Securities had been recorded at fair value at the end of each reporting period up to the Notification of Conversion date. The change in fair value of the Preferred Securities owned by Ijssel B.V. was recorded as redeemable preferred securities expense (income) in the condensed consolidated interim statements of income up to the Notification of Conversion date.

During the three months ended June 30, 2021, the Preferred Securities reached the Mandatory Conversion Moment (as described in note 12 to the Annual Consolidated Financial Statements for the year ended December 31, 2021). As a result of reaching the Mandatory Conversion Moment, the Preferred Securities holders notified Topicus that they were electing to convert their Preferred Securities into Topicus Coop Ordinary Units, which conversion

would become effective on February 1, 2022. On the date that Topicus received the Notification of Conversion from the Preferred Securities holders, the Preferred Securities were re-classified from a liability to equity (non-controlling interest) because the Preferred Securities were no longer redeemable for cash or through the issuance of Topicus Coop Ordinary Units of equal value, or any combination thereof. Following receipt of the Notification of Conversion, the holders of the Preferred Securities are required to convert their Preferred Securities to Topicus Coop Ordinary Units on February 1, 2022, however, they could have chosen to convert prior to February 1, 2022 pursuant to the Topicus Coop Preference Unit Conversion Right (as defined in note 12 to the Company's Annual Consolidated Financial Statements for the year ended December 31, 2021). On the Notification of Conversion date, the Company also accrued the expected dividend to be paid relating to the period from the Notification of Conversion date to the expected conversion date of February 1, 2022. The dividend to be paid relating to this period has been recorded directly in equity (non-controlling interest).

On February 1, 2022, all outstanding Topicus Coop Preference Units were converted into Topicus Coop Ordinary Units and all outstanding Preferred Shares were converted to Subordinate Voting Shares.

Further descriptions of the significant terms and conditions of these Topicus Coop Preference Units are described in note 12 to the Annual Consolidated Financial Statements for the year ended December 31, 2021.

Other commitments

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was \$104 million at December 31, 2021. Aside from the aforementioned and the redeemable Preferred Securities, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at December 31, 2021.

(in millions of dollars)

	Total	< 1 yr	1-5 yrs	> 5 yrs
Lease obligations	292	86	169	37
Holdbacks	162	94	68	-
IRGA liability	395	143	252	-
Debentures	222	-	-	222
Term Loan	88	-	-	88
CSI facility	-	-	-	-
Debt without recourse to Constellation Software Inc.	423	59	294	70
Total outstanding commitments	1,582	381	783	417

The IRGA liability commitment assumes that the Joday Group has exercised their put option to sell 100% of their interests back to Constellation. This option however has not been exercised as at February 10, 2022. See note 10 to the Annual Consolidated Financial Statements for the year ended December 31, 2021 for a discussion on the valuation methodology utilized.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact will impact future revenue and net income. The impact to organic revenue growth for the three and twelve months ended December 31, 2021 was approximately negative 1% and positive 2% respectively. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business,

revenues, results of operations, and financial condition. The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. In entering into these forward exchange contracts, the Company is exposed to the credit risk of the counterparties to such contracts and the possibility that the counterparties will default on their payment obligations under these contracts. However, given that the counterparties are Schedule 1 banks or affiliates thereof, the Company believes these risks are not material. During the fiscal year ended December 31, 2021, the Company did not purchase any contracts of this nature.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the three and twelve months ended December 31, 2021:

Currencies	Three Months Ended December 31, 2021		Year Ended December 31, 2021	
	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	47%	43%	47%	42%
EUR	25%	25%	25%	25%
GBP	9%	9%	9%	9%
CAD	7%	9%	7%	10%
AUD	4%	4%	5%	5%
BRL	1%	1%	1%	1%
CHF	1%	2%	1%	2%
SEK	1%	1%	1%	1%
Others	5%	5%	5%	5%
Total	100%	100%	100%	100%

Due to rounding, certain totals may not foot.

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for insignificant and short-term operating leases and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year.

Critical Accounting Estimates

General

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses, in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are fully described in Note 3 to our annual consolidated financial statements which are available on SEDAR (www.sedar.com). Certain accounting policies are particularly important

to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. We believe that there have been no significant changes in our critical accounting estimates for the years presented in our consolidated financial statements.

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. Software license revenue is comprised of non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. Professional service revenue consists of fees charged for implementation services, custom programming, product training and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services, and hosted products.

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.

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 primarily on labour hours. The percentage-of-completion method

based on labour hours requires the Company to make significant judgments to determine the estimated hours to completion which affects the timing of revenue recognized.

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.

Valuation of Identifiable Goodwill and Other Intangible Assets

Acquisitions have been accounted for using the acquisition method required by IFRS 3. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the excess of the consideration transferred less the assets and liabilities acquired is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

We use the income approach to value acquired technology and customer related intangible assets, which are the two material intangible asset categories reported in our financial statements.

The income approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that the asset can be expected to generate over its remaining useful life. We utilize the discounted cash flow ("DCF") methodology which is a form of the income approach that begins with a forecast of the annual cash flows a market participant would expect the subject intangible asset to generate over a discrete projection

period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible asset.

Specifically, we rely on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings method ("MEEM") to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the costs savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the fair value assigned to the net identifiable tangible and intangible assets acquired. Goodwill is not amortized but rather it is periodically assessed for impairment.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. We perform an annual review in the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill is impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. No such losses have been recognized during the year.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's cash generating units ("CGU") and the net asset carrying values (including goodwill). Within the Company's reporting structure, business units generally reflect the CGU and are one level below the six operating groups (Volaris, Harris, Total Specific Solutions, Jonas, Perseus, and Vela Operating Groups). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are generally derived from post-contract customer support revenues, transactional revenues, and hosted products revenues. Valuation multiples applied by the Company for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies and the Company's overall revenue based-trading multiple. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company's business acquisitions. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. The recoverable amount of goodwill is estimated annually on December 31 of each year or whenever events or changes in circumstances indicate that the carrying value may be impaired.

We also review the carrying value of amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. Any change in estimate which causes the undiscounted expected future cash flows to be less than the carrying value, would result in an impairment loss being recognized equal to the amount by which the carrying value of the asset exceeds the fair value of the asset.

Accounting for Income Taxes

Significant management judgment is required in determining our provision for income taxes, our income tax assets and liabilities, and any valuation allowance recorded against our net income tax assets. We operate in multiple geographic jurisdictions, and to the extent that we have profits in each jurisdiction, these profits are taxed pursuant to the tax laws of their jurisdiction. Our effective tax rate may be affected by changes in, or interpretations of, tax laws in any given jurisdiction, the level of profitability, utilization of net operating losses and tax credit carry forwards, changes in geographical mix of income and expense, and changes in management's assessment of matters, such as the ability to realize future tax assets. As a result of these considerations, we must estimate our income taxes in each of the jurisdictions in which we operate on a quarterly basis. This process involves estimating our actual current tax exposures, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in future tax assets and liabilities, which are included in our consolidated balance sheet.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but we intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

We are subject to income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact to our financial position. However, there can be no assurances as to the final resolution of these matters and, if the final outcome is adverse to us, the amounts we will be required to pay and the loss of certain future tax deductions could be material to our financial statements.

Accounts Receivable

We evaluate the collectability of our trade receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

Work In Progress

For revenue arrangements that are accounted for under the percentage of completion method as well as other arrangements and contracts which limit our ability to invoice at certain milestones that do not match the timing of the actual provision of the services, we record such revenue and the related unbilled receivable in work in process. Similar to accounts receivable, we constantly have to evaluate our ability to bill and subsequently collect any amounts contained in the work in progress accounts. We review these balances on a periodic basis to ensure customer balances are prudent based upon a variety of factors, such as the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of work in progress may be further adjusted.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as part of finance costs.

We are currently involved in various claims and legal proceedings. Quarterly, we review the status of each significant matter and assess our potential financial exposure. Because of the uncertainties related to these matters, provisions are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and, if necessary, revise our provisions. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

Share Capital

As at February 10, 2022, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in our most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

The Company is closely monitoring the impact of COVID-19 on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic has had disruptive effects in countries in which the Company operates and has adversely impacted many of its business units' operations to date, including through the cancellation by certain customers of their ongoing software maintenance contracts and the suspension or cancellation of new software purchases. The pandemic may also have an adverse impact on many of the Company's customers, including their ability to satisfy ongoing payment obligations to the Company, which could increase the Company's bad debt exposure. The future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. It is possible that the COVID-19 pandemic, the measures taken by the governments of countries affected and the resulting economic impact may continue to adversely affect the Company's results of operations, cash flows and financial position as well as its customers in future periods, and this impact could be material.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At December 31, 2021, the President and Chief Financial Officer, based on the investigation and advice of those under their supervision, have concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The President and Chief Financial Officer have designed or caused to be designed by those under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

In addition, the President and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The President and Chief Financial Officer have been advised that the control framework the President and the Chief Financial Officer used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

The President and the Chief Financial Officer have evaluated, or caused to be evaluated by those under their supervision, whether or not there were changes to its ICFR during the period ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

Subsequent Events

On January 31, 2022, a dividend was paid in cash on the Topicus Preferred Shares and Topicus Coop Preference Units in the aggregate amount of \$75 million (€67 million). \$45 million (€40 million) was received by CSI, \$23 million (€20 million) was received by the Joday Group and \$7 million (€6 million) was received by Ijssel B.V.

On February 1, 2022, the Topicus Preferred Shares (see note 1 to the Company's Annual Consolidated Financial Statements for the year ended December 31, 2021) and Topicus Coop Preference Units (see note 12 to the Company's Annual Consolidated Financial Statements for the year ended December 31, 2021) were converted to Topicus Subordinate Voting Shares and Topicus Coop Ordinary Units respectively. Subsequent to the conversion, CSI will continue to consolidate Topicus and reflect an equity interest of 60.65% in Topicus and a non-controlling interest of 39.35%.

On February 10, 2022, the Company declared a \$1.00 per share dividend payable on April 12, 2022 to all common shareholders of record at close of business on March 16, 2022.

Subsequent to December 31, 2021, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of \$130 million on closing plus cash holdbacks of \$19 million and contingent consideration with an estimated fair value of \$2 million for total consideration of \$150 million. The business acquisitions include companies catering primarily to the communications, financial services, education, speech recognition, utilities, accounting, healthcare, real estate and brokers and horticulture verticals and are all software companies similar to the existing business of the Company.

Consolidated Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the years ended December 31, 2021 and 2020



INDEPENDENT AUDITORS' REPORT

To the Shareholders of Constellation Software Inc.

Opinion

We have audited the consolidated financial statements of Constellation Software Inc. ("the Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of income (loss) for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Determination of distinct professional services performance obligation in customer contracts containing multiple performance obligations and estimation of hours to complete for certain percentage-of-completion (POC) arrangements

Description of the matter

We draw attention to Notes 2(d) and 3(k) to the financial statements. The Entity has recognized revenue of \$5,106 million. A portion of revenue is associated with customer contracts that contain multiple products and services such as software licenses, maintenance and other recurring services, professional services, and hardware. The Entity uses significant judgment to assess whether professional services sold in a customer contract are considered distinct and should be accounted for as separate performance obligations. 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 primarily on labour hours. The Entity applies significant judgment to determine the estimated hours to completion which affects the timing of revenue recognized for professional services and non-distinct license and/or hardware.

Why the matter is the key audit matter

We identified the determination of distinct professional services performance obligations in customer contracts containing multiple performance obligations and the estimation of hours to complete for certain POC arrangements, being contracts where revenue recognition is based on estimated hours to completion, as a key audit matter. Significant auditor judgment was required to evaluate the Entity's significant judgments of whether professional services are distinct or non-distinct and the estimated hours to completion for arrangements that are completed over an extended period. There was significant auditor effort, involving more senior professionals, required to address this matter.

How the matter was addressed in the audit

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

We evaluated the design, and tested the operating effectiveness of certain controls over revenue recognition including controls related to the Entity's process to identify distinct professional services performance obligations in customer contracts and controls over the estimation of hours to complete for POC arrangements, inclusive of executed contract amendments and change orders.

For a selection of new customer contracts, we assessed the Entity's determination of distinct/non-distinct professional services performance obligations, if any, by examining the contract source documents, comparing to the Entity's past assessments for similar contracts, and practices observed in the Entity's industry.

For a selection of POC arrangements where revenue recognition is based on the estimated hours to completion, we interviewed operational personnel responsible for the contract. We obtained an understanding of the original estimated hours to completion and any increase or decrease to the



estimated hours to completion as the contract progresses and inspected correspondence such as project planning documents and change requests, if any, between the Entity and its customers.

In addition, we assessed the Entity's historical ability to accurately estimate hours to completion by performing an analysis of a selection of completed contracts to compare actual hours incurred upon completion to the initial estimated hours to completion.

Other Information

Management is responsible for the other information. Other information comprises:

- Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the



current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Anuj Madan.

Toronto, Canada
February 10, 2022

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Financial Position

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash	\$ 763	\$ 758
Accounts receivable	600	483
Unbilled revenue	140	98
Inventories (note 5)	35	27
Other assets (note 6)	296	219
	1,835	1,585
Non-current assets:		
Property and equipment (note 7)	93	86
Right of use assets (note 8)	245	251
Deferred income taxes (note 16)	66	52
Other assets (note 6)	99	75
Intangible assets (note 9)	3,428	2,325
	3,931	2,790
Total assets	\$ 5,766	\$ 4,375
Liabilities and Shareholders' Equity		
Current liabilities:		
Debt with recourse to Constellation Software Inc. (note 10)	\$ 143	\$ 113
Debt without recourse to Constellation Software Inc. (note 11)	60	28
Redeemable preferred securities (note 12)	7	-
Accounts payable and accrued liabilities	832	666
Dividends payable (note 17)	22	21
Deferred revenue	1,158	962
Provisions (note 13)	11	12
Acquisition holdback payables	94	85
Lease obligations (note 14)	79	74
Income taxes payable (note 15)	56	78
	2,461	2,040
Non-current liabilities:		
Debt with recourse to Constellation Software Inc. (note 10)	561	421
Debt without recourse to Constellation Software Inc. (note 11)	354	199
Deferred income taxes (note 16)	436	285
Acquisition holdback payables	68	37
Lease obligations (note 14)	190	201
Other liabilities (note 6)	175	146
	1,784	1,288
Total liabilities	4,245	3,328
Shareholders' equity (note 17):		
Capital stock	99	99
Other equity	(179)	-
Accumulated other comprehensive income (loss)	(66)	(31)
Retained earnings	1,206	980
Non-controlling interests (notes 1, 12 and 28)	460	-
	1,521	1,048
Subsequent events (notes 17 and 29)		
Total liabilities and shareholders' equity	\$ 5,766	\$ 4,375

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Income (loss)

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

	Years ended December 31,	
	2021	2020
Revenue		
License	\$ 287	\$ 234
Professional services	1,033	751
Hardware and other	176	169
Maintenance and other recurring	3,611	2,815
	5,106	3,969
Expenses		
Staff	2,695	2,050
Hardware	99	97
Third party license, maintenance and professional services	433	330
Occupancy	40	35
Travel, telecommunications, supplies, software and equipment	186	152
Professional fees	79	60
Other, net	62	13
Depreciation (notes 7 and 8)	121	105
Amortization of intangible assets (note 9)	518	403
	4,233	3,246
Foreign exchange loss (gain)	1	2
IRGA/TSS Membership liability revaluation charge (note 10)	132	65
Finance and other expense (income) (note 18)	(7)	(4)
Bargain purchase gain	(2)	(2)
Impairment of intangible and other non-financial assets (note 9)	12	12
Redeemable preferred securities expense (income) (note 12)	295	-
Finance costs (note 18)	68	46
	499	120
Income (loss) before income taxes	374	603
Current income tax expense (recovery)	257	221
Deferred income tax expense (recovery)	(51)	(55)
Income tax expense (recovery)	206	167
Net income (loss)	169	436
Net income (loss) attributable to:		
Common shareholders of Constellation Software Inc. (notes 1 and 28)	310	436
Non-controlling interests (notes 1 and 28)	(142)	-
Net income (loss)	169	436
Earnings per common share of Constellation Software Inc.		
Basic and diluted (note 19)	\$ 14.65	\$ 20.59

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Comprehensive Income (Loss)

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

	Years ended December 31,	
	2021	2020
Net income (loss)	\$ 169	\$ 436
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other, net of tax	(41)	9
Other comprehensive income (loss) for the year, net of income tax	(41)	9
Total comprehensive income (loss) for the year	\$ 128	\$ 445
Total other comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc. (notes 1 and 28)	(16)	9
Non-controlling interests (notes 1 and 28)	(25)	-
Total other comprehensive income (loss)	\$ (41)	\$ 9
Total comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc. (notes 1 and 28)	294	445
Non-controlling interests (notes 1 and 28)	(167)	-
Total comprehensive income (loss)	\$ 128	\$ 445

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statement of Changes in Equity

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Year ended December 31, 2021

	Equity Attributable to Common Shareholders of CSI					Non-controlling interests	Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total		
Balance at January 1, 2021	\$ 99	\$ -	\$ (31)	\$ 980	\$ 1,048	-	\$ 1,048
<i>Total comprehensive income (loss) for the year:</i>							
Net income (loss)	-	-	-	310	310	(142)	169
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(16)	-	(16)	(25)	(41)
Total other comprehensive income (loss) for the year	-	-	(16)	-	(16)	(25)	(41)
Total comprehensive income (loss) for the year	-	-	(16)	310	294	(167)	128
Transactions with owners, recorded directly in equity							
Special dividend of Topicus Subordinate Voting Shares (note 1 and 28)	-	(141)	(16)	-	(157)	157	-
Issuance of Topicus Coop Ordinary Units to non-controlling interests (note 4)	-	(21)	(2)	-	(23)	23	-
Net acquisition of non-controlling interest associated with acquisitions and other movements	-	(16)	(0)	0	(16)	17	1
Dividends to shareholders of the Company (note 17)	-	-	-	(85)	(85)	-	(85)
Reclassification of redeemable preferred securities of Topicus Coop from liabilities to non-controlling interest	-	-	-	-	-	434	434
Accrued dividends to preference unit holders of Topicus Coop (note 12)	-	-	-	-	-	(5)	(5)
Balance at December 31, 2021	\$ 99	\$ (179)	\$ (66)	\$ 1,206	\$ 1,061	\$ 460	\$ 1,521

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statement of Changes in Equity

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Year ended December 31, 2020

	Equity Attributable to Common Shareholders of CSI				Total	Non-controlling interests	Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings			
Balance at January 1, 2020	\$ 99	\$ -	\$ (40)	\$ 628	\$ 687	\$ -	\$ 687
<i>Total comprehensive income (loss) for the year:</i>							
Net income (loss)	-	-	-	436	436	-	436
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	9	-	9	-	9
Total other comprehensive income (loss) for the year	-	-	9	-	9	-	9
Total comprehensive income (loss) for the year	-	-	9	436	445	-	445
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company (note 17)	-	-	-	(85)	(85)	-	(85)
Balance at December 31, 2020	\$ 99	\$ -	\$ (31)	\$ 980	\$ 1,048	\$ -	\$ 1,048

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Cash Flows

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

	Years ended December 31,	
	2021	2020
Cash flows from (used in) operating activities:		
Net income (loss)	\$ 169	\$ 436
Adjustments for:		
Depreciation	121	105
Amortization of intangible assets	518	403
IRGA/TSS Membership liability revaluation charge	132	65
Finance and other expense (income)	(7)	(4)
Bargain purchase (gain)	(2)	(2)
Impairment of intangible and other non-financial assets	12	12
Redeemable preferred securities expense (income) (note 12)	295	-
Finance costs	68	46
Income tax expense (recovery)	206	167
Foreign exchange loss (gain)	1	2
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 26)	45	117
Income taxes paid	(257)	(162)
Net cash flows from (used in) operating activities	1,300	1,186
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(9)	(8)
Interest paid on debt	(40)	(32)
Increase (decrease) in CSI facility (note 10)	-	(65)
Increase (decrease) in revolving credit debt facilities without recourse to CSI	30	(31)
Proceeds from issuance of term debt facilities without recourse to CSI	176	48
Repayments of term debt facilities without recourse to CSI	(6)	(6)
Other financing activities	3	-
Credit facility transaction costs	(6)	(2)
Payments of lease obligations	(83)	(66)
Distribution to the Joday Group (note 10)	(22)	-
Dividends paid	(85)	(85)
Net cash flows from (used in) in financing activities	(41)	(247)
Cash flows from (used in) investing activities:		
Acquisition of businesses (note 4)	(1,224)	(477)
Cash obtained with acquired businesses (note 4)	153	97
Post-acquisition settlement payments, net of receipts	(145)	(105)
Receipt of additional subscription amount from the sellers of Topicus.com B.V. (note 4)	33	-
Purchases of other investments	(44)	(4)
Proceeds from sales of other investments	13	-
Interest, dividends and other proceeds received	5	2
Property and equipment purchased	(29)	(25)
Net cash flows from (used in) investing activities	(1,238)	(512)
Effect of foreign currency on cash and cash equivalents	(16)	15
Increase (decrease) in cash	5	442
Cash, beginning of year	\$ 758	\$ 316
Cash, end of year	\$ 763	\$ 758

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Notes to Consolidated Financial Statements

(In millions of U.S. dollars or specified currency, except per share amounts and as otherwise indicated.)

(Due to rounding, numbers presented may not foot.)

Years ended December 31, 2021 and 2020

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CONSTELLATION SOFTWARE INC.

Notes to Consolidated Financial Statements

(In millions of U.S. dollars or specified currency, except per share amounts and as otherwise indicated.)

(Due to rounding, numbers presented may not foot.)

Years ended December 31, 2021 and 2020

1. Reporting entity

Constellation Software Inc. is a company domiciled in Canada. The address of Constellation Software Inc.'s registered office is 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada. The consolidated financial statements of Constellation Software Inc. for the years ended December 31, 2021 and 2020 comprise Constellation Software Inc. and its subsidiaries (together referred to as "Constellation", "CSI", or the "Company") and the Company's interest in associates. The Company is engaged principally in the development, installation and customization of software as well as in the provisioning of related professional services and support for customers globally across over 100 diverse markets.

On January 4, 2021 (in anticipation of the acquisition of Topicus.com B.V.), the Company's subsidiary, Constellation Software Netherlands Holding Coöperatief U.A. ("CSNH"), which principally holds the Total Specific Solutions Operating Group ("TSS"), completed a corporate reorganization. In conjunction with the reorganization, the following steps were completed on January 4, 2021:

- CSNH changed its name to Topicus.com Coöperatief U.A. ("Topicus Coop").
- The Company engaged in a series of transactions the result of which was that its then existing equity interest in Topicus Coop became an equity interest in Topicus.com Inc. ("Topicus") and Topicus became the new parent company of Topicus Coop. Topicus issued and Constellation received 39,412,385 preferred shares of Topicus (the "Topicus Preferred Shares") and 39,412,385 subordinate voting shares of Topicus (the "Topicus Subordinate Voting Shares"). CSI distributed 39,412,367 of the Topicus Subordinate Voting Shares to its common shareholders pursuant a dividend-in-kind and continues to hold 18 Topicus Subordinate Voting Shares of Topicus.
- Constellation also holds 1 super voting share of Topicus (the "Topicus Super Voting Share"). The Topicus Super Voting Share entitles Constellation to that number of votes that equals 50.1% of the aggregate number of votes attached to all the outstanding Topicus Super Voting Shares and Topicus Subordinate Voting Shares. As a result, Constellation Software Inc. controls Topicus.
- Topicus Coop issued 19,665,642 Preference Units and 19,665,642 Ordinary Units to Joday Investments II B.V. ("Joday") and certain individual investors affiliated therewith (being the previous minority owners of CSNH) (collectively known as the "Joday Group").

The Company now reflects a non-controlling interest in Topicus of 69.7% as at December 31, 2021. The Company's equity interest of 30.3% in Topicus principally comprises the ordinary units of Topicus Coop ("Topicus Coop Ordinary Units") that are currently owned by the Joday Group and subject to the terms of the IRGA (as defined below) including the corresponding put/call provisions agreed as between CSI and the Joday Group. On February 1, 2022, the Topicus Preferred Shares and Topicus Coop Preference Units were converted to Topicus Subordinate Voting Shares and Topicus Coop Ordinary Units respectively. Subsequent to the conversion, CSI will reflect an equity interest of 60.65% in Topicus and a non-controlling interest of 39.35%. Refer to notes 10, 12, 28 and 29 for more details.

Preferred Share Investment in Topicus.com Inc.

As noted above, the Company owns 39,412,385 Topicus Preferred Shares. The Topicus Preferred Shares are non-voting and under certain conditions, prior to the Notification of Conversion (as defined below), were redeemable at the option of CSI for a redemption price of approximately EUR 19.06 per share. The redemption price was either to be settled in cash or through the issuance of a variable number of Topicus Subordinate Voting Shares based on the terms of the Topicus Preferred Shares, or any combination thereof. The Topicus Preferred Shares are also convertible into Topicus Subordinate Voting Shares at a conversion ratio of 1:1. The Topicus Preferred Shares

CONSTELLATION SOFTWARE INC.

Notes to Consolidated Financial Statements

(In millions of U.S. dollars or specified currency, except per share amounts and as otherwise indicated.)

(Due to rounding, numbers presented may not foot.)

Years ended December 31, 2021 and 2020

entitle CSI to a fixed annual cumulative dividend of 5% per annum on the initial Topicus Preferred Share value of approximately EUR 19.06 per share.

During the three months ended June 30, 2021, the Topicus Preferred Shares reached the Mandatory Conversion Moment (see below). As a result of reaching the Mandatory Conversion Moment, CSI notified Topicus that they were electing to convert their Topicus Preferred Shares into Topicus Subordinate Voting Shares, which conversion would become effective on February 1, 2022 ("Notification of Conversion"). After the Notification of Conversion, the Topicus Preferred Shares were no longer redeemable for cash or through the issuance of Topicus Subordinate Voting Shares of equal value, or any combination thereof. Following delivery of the Notification of Conversion, CSI is required to convert their Topicus Preferred Shares to Topicus Subordinate Voting Shares on February 1, 2022, however, CSI may choose to convert prior to February 1, 2022 pursuant to the Topicus Preferred Share Conversion Right (as defined below).

Further descriptions of the significant terms and conditions of the Topicus Preferred Shares are described below. The terms and conditions of the Topicus Preferred Shares should be read in conjunction with the terms and conditions of the preference units of Topicus Coop ("Topicus Coop Preference Units") as outlined in note 12.

Conversion

CSI is entitled to convert some or all of its Topicus Preferred Shares into Topicus Subordinate Voting Shares on a one for one basis at any time (the "Topicus Preferred Share Conversion Right").

Upon the exercise of the Topicus Preferred Share Conversion Right, CSI will be entitled to receive all accrued but unpaid dividends accruing on the Topicus Preferred Shares to the day before the conversion date. Pursuant to the terms of the investor rights and governance agreement entered into by CSI, the Joday Group, Ijssel B.V., Topicus and Topicus Coop (the "IRGA"), the board of directors of Topicus will make a determination as to whether Topicus has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Topicus Preferred Shares in cash. If the board of directors of Topicus determines that Topicus does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSX Venture Exchange ("TSXV") approval, be satisfied by the issuance of Topicus Subordinate Voting Shares of equal value. As described above, on February 1, 2022, the Topicus Preferred Shares and Topicus Coop Preference Units were converted to Topicus Subordinate Voting Shares and Topicus Coop Ordinary Units respectively.

Redemption at the Option of CSI

Prior to the Notification of Conversion, pursuant to the terms of the IRGA, upon either the exercise by Topicus of the Topicus Call Right (as defined below), or the exercise of the Topicus Preferred Share Retraction Right (as defined below), CSI was, subject to the terms of the IRGA, entitled to receive an amount of cash equal to approximately EUR 19.06 per share, or Topicus Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of CSI (the "Topicus Preferred Share Call Price Right"). Notwithstanding the foregoing, if the board of directors of Topicus determined that Topicus did not have sufficient cash on hand to make the payment in cash, CSI would have, subject to TSXV approval, received Topicus Subordinate Voting Shares of equal value. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer redeemable.

Topicus Preferred Share Retraction Right

Prior to the Notification of Conversion, the "Topicus Preferred Share Retraction Right" provided that (i) at any time until July 5, 2021, CSI would have had the right (but not the obligation) to sell all of its Topicus Preferred Shares to Topicus and exercise the Topicus Preferred Share Call Price Right (in which case, pursuant to the terms of the

CONSTELLATION SOFTWARE INC.

Notes to Consolidated Financial Statements

(In millions of U.S. dollars or specified currency, except per share amounts and as otherwise indicated.)

(Due to rounding, numbers presented may not foot.)

Years ended December 31, 2021 and 2020

IRGA, the holders of the Topicus Coop Preference Units would have been entitled to sell all of their Topicus Coop Preference Units to Topicus Coop and exercise the Topicus Coop Preference Unit Call Price Right as outlined in note 12 below), and (ii) at any time after July 5, 2021 holders representing 95% of the Topicus Preferred Shares and the Topicus Coop Preference Units (together, the “Preferred Securities”), excluding any Topicus Coop Preference Units held by Topicus, would have had the right (but not the obligation) to entitle CSI to sell all of its Topicus Preferred Shares to Topicus and to exercise the Topicus Preferred Share Call Price Right. Upon the exercise of the Topicus Preferred Share Retraction Right, CSI was also entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. These accrued but unpaid dividends would have been satisfied by the payment of cash. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer retractable.

Topicus Preferred Share Put Right

Prior to the Notification of Conversion, subject to the terms of the IRGA, CSI was entitled to require Topicus to repurchase some or all of its Topicus Preferred Shares (the “Topicus Preferred Share Put Right”). Upon the exercise of the Topicus Preferred Share Put Right, CSI would have been entitled to receive an amount of cash equal to approximately EUR 19.06 per share. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer subject to repurchase.

Prior to the Notification of Conversion, pursuant to the terms of the IRGA, the Topicus Preferred Share Put Right could be exercised at any time on or after February 1, 2024 but if the Topicus Preferred Share Put Right was exercised prior to February 1, 2026, it could only be exercisable if at such time the board of directors of Topicus determined that Topicus had sufficient cash on hand to satisfy the payment of approximately EUR 19.06 per share in cash; if the board of directors of Topicus determined that it did not have sufficient cash on hand, CSI would not be permitted to exercise the Topicus Preferred Share Put Right. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer subject to repurchase.

Prior to the Notification of Conversion, if the Topicus Preferred Share Put Right was exercised at any time after February 1, 2026, then regardless of whether Topicus had sufficient cash on hand at that time, CSI would have been entitled to receive an amount of cash equal to approximately EUR 19.06 per share and, subject to the terms below, upon the exercise of the Topicus Preferred Share Put Right by CSI, Topicus must notify each other holder of Topicus Preferred Shares of such exercise, and invite (but not oblige) such other holders to also exercise their Topicus Preferred Share Put Right, upon 30 days' notice to Topicus. During that 30-day notice period, Topicus would determine whether or not it had sufficient cash on hand to satisfy the payment in cash, and if it did not, Topicus would have had the option to exercise the Topicus Call Right, in which case the Topicus Preferred Share Put Right would not be exercised in respect of any of the Topicus Preferred Shares. Upon the exercise of the Topicus Preferred Share Put Right, CSI would also have been entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. These accrued but unpaid dividends would have been satisfied by the payment of cash. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer subject to repurchase.

Redemption at the Option of Topicus

Subject to the terms of the IRGA, if the Topicus Subordinate Voting Shares achieve (the “Mandatory Conversion Moment”) a volume weighted average share price that is equal to or greater than the Canadian dollar equivalent of 125% of the initial Topicus Preferred Share value of approximately EUR 19.06 per share (being the Canadian dollar equivalent of approximately EUR 23.83), (the “Premium Target Price”) determined on the basis of the 60-day volume weighted average trading price of the Topicus Subordinate Voting Shares for any 60-day trading period, and CSI has not exercised the Topicus Preferred Share Conversion Right within 30 days after notice has been given to it that the Premium Target Price has been achieved, Topicus will redeem the Topicus Preferred Shares in

CONSTELLATION SOFTWARE INC.

Notes to Consolidated Financial Statements

(In millions of U.S. dollars or specified currency, except per share amounts and as otherwise indicated.)

(Due to rounding, numbers presented may not foot.)

Years ended December 31, 2021 and 2020

exchange for a cash payment to CSI of approximately EUR 19.06 per share (the “Topicus Mandatory Conversion Moment Call Right”). During the three months ended June 30, 2021, the Mandatory Conversion Moment was reached and CSI elected to convert their Topicus Preferred Shares to Topicus Subordinate Voting Shares. As a result, the Topicus Mandatory Conversion Moment Call Right is no longer applicable.

Pursuant to the terms of the IRGA, the earliest date that the actual conversion or redemption of Topicus Preferred Shares resulting from the occurrence of the Mandatory Conversion Moment may occur is the first business day occurring 12-months following February 1, 2021 and, thereafter, such conversion may only occur after the first business day that is six months following the Mandatory Conversion Moment. The conversion of the Topicus Preferred Shares into Topicus Subordinate Voting Shares as a result of the Notification of Conversion will be effective on February 1, 2022, unless CSI chooses to convert prior to this date pursuant to the Topicus Preferred Share Conversion Right.

Topicus Call Right

Prior to the Notification of Conversion, at any time after February 1, 2026, Topicus would have had the option to redeem all the Topicus Preferred Shares in exchange for, at the option of CSI, payment of an amount in cash equal to approximately EUR 19.06 per share, or Topicus Subordinate Voting Shares of equal value, or any combination thereof (the “Topicus Call Right”). Notwithstanding the foregoing, if the board of directors of Topicus determined that Topicus did not have sufficient cash on hand to make the payment in cash, CSI would have, subject to TSXV approval, received Topicus Subordinate Voting Shares of equal value. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer redeemable.

Prior to the Notification of Conversion, upon the exercise of the Topicus Call Right, CSI would also have been entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. Pursuant to the terms of the IRGA, the board of directors of Topicus would make a determination as to whether Topicus had sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Topicus Preferred Shares in cash. If the board of directors of Topicus determined that Topicus did not have sufficient cash on hand, the accrued but unpaid dividends would, subject to TSXV approval, be satisfied by the issuance of Topicus Subordinate Voting Shares of equal value. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer redeemable.

Prior to the Notification of Conversion, pursuant to the terms of the IRGA, if the Topicus Call Right was exercised, and at the time of such exercise the value of a Topicus Subordinate Voting Share exceeded approximately EUR 19.06 per share, then CSI would first have the option to exercise the Topicus Preferred Share Conversion Right, in which case the Topicus Call Right would not be exercised. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer redeemable.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), issued and outstanding as of February 10, 2022, the date the Board of Directors approved such financial statements.

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(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, and certain financial instruments and derivative financial instruments, which are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the consolidated 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. 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(k) - Revenue recognition

Note 3(a)(i) - Business combinations

Note 3(m) - Income taxes

Note 3(i) - Impairment

Note 3(d) - Intangible assets

Note 10 – IRGA liability

Note 24 - Contingencies

Critical judgements that the Company has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognized in the consolidated financial statements relate to the (i) determination of functional currencies for Constellation's subsidiaries and, most notably, in respect of businesses acquired during the period; (ii) assessment as to whether professional services in multiple-performance obligation arrangements are distinct of other performance obligations and determination of the estimated hours to complete customer contracts accounted for using the percentage of completion method; (iii) recognition of deferred tax assets; and (iv) recognition of provisions and contingent consideration liabilities.

- Functional currency – the Company applies judgement in situations where primary and secondary indicators are mixed. Primary indicators such as the currency that mainly influence sales prices are given priority before considering secondary indicators.
- Revenue Recognition - The Company uses significant judgment to assess whether professional services sold in a customer contract are considered distinct and should be accounted for as separate performance obligations. Non-distinct professional services are combined with other goods or services until they are distinct and form a single performance obligation. The Company also applies significant judgment to determine the estimated hours to completion which affects the timing of revenue recognized for professional

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services and non-distinct license and hardware. Estimated hours to completion are continually and routinely revised based on changes in the progress of customer contracts.

- **Deferred tax assets** - the recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets.
- **Provisions and contingent consideration liabilities** - in recognizing provisions, the Company evaluates the extent to which it is probable that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The judgements used to recognize provisions are based on currently known factors which may vary over time, resulting in changes in the measurement of recorded amounts as compared to initial estimates. Contingent consideration liabilities are initially recorded on the date of a business combination and are payable on the achievement of certain financial targets in the post-acquisition periods. The obligation for contingent consideration is recorded at its estimated fair value at the various acquisition dates and is recorded at fair value at the end of each reporting period. The estimated fair value of the applicable contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid and inclusion of a discount rate as appropriate.

The Company is closely monitoring the impact of COVID-19 on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic has had disruptive effects in countries in which the Company operates and has adversely impacted many of its business units' operations to date, including through the cancellation by certain customers of their ongoing software maintenance contracts and the suspension or cancellation of new software purchases. The pandemic may also have an adverse impact on many of the Company's customers, including their ability to satisfy ongoing payment obligations to the Company, which could increase the Company's bad debt exposure. The future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. It is possible that the COVID-19 pandemic, the measures taken by the governments of countries affected and the resulting economic impact may continue to adversely affect the Company's results of operations, cash flows and financial position as well as its customers in future periods, and this impact could be material. During the year ended December 31, 2021, the Company recorded income of \$17 (December 31, 2020 - \$41) relating to government grants from various government authorities relating to the pandemic within "Other, net" expenses in the consolidated statements of income (loss).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

The significant accounting policies have been applied consistently by the Company's subsidiaries.

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(a) Basis of consolidation

(i) Business combinations

Acquisitions have been accounted for using the acquisition method required by IFRS 3 Business Combinations. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the consideration transferred is less than the estimated fair value of assets acquired and liabilities assumed, a bargain purchase gain is recognized immediately in the consolidated statements of income (loss). Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

The Company uses its best estimates and assumptions to reasonably value assets and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to profit or loss. For a given acquisition, the Company may identify certain pre-acquisition contingencies as of the acquisition date and may extend its review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess these contingencies as part of acquisition accounting, as applicable.

(ii) Consolidation methods

Entities over which the Company has control are consolidated from the date that control commences until the date that control ceases. Entities over which the Company has significant influence (investments in "associates") are accounted for under the equity method. Significant influence is assumed when the Company's interests are 20% or more, unless qualitative factors overcome this assumption.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments in associates are recognized initially at cost, inclusive of transaction costs. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the income and expenses and equity changes of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

(iii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

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(b) Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of subsidiaries of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-measured to the functional currency at the exchange rate at that date. Foreign currency differences arising on re-measurement are recognized through profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognized in other comprehensive income (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported in profit and loss on a net basis. The effect of currency translation adjustments on cash and cash equivalents is presented separately in the statements of cash flows and separated from investing and financing activities when deemed significant.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to U.S. dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to U.S. dollars using average exchange rates for the month during which the transactions occurred. Foreign currency differences are recognized in other comprehensive income (loss) in the cumulative translation account; however, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest when applicable.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which its substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss) in the cumulative amount of foreign currency translation differences. If, and when, settlement plans change or deemed likely to occur, then the accounting process in (b)(i) above is applied. When a foreign operation payable or receivable classified as a net investment is partially or fully disposed, the proportionate share of the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss as part of the profit or loss on disposal. The Company has elected not to treat repayments of monetary items receivable or payable to a foreign operation as a disposition.

(c) Financial Instruments

The Company's financial instruments primarily comprise cash, accounts receivable, Debt with recourse to CSI, Debt without recourse to CSI, Redeemable Preferred Securities, accounts payable and accrued liabilities, dividends payable, income taxes payable and holdback assets or liabilities on acquisitions.

Financial assets are recognized in the consolidated statement of financial position if we have a contractual right to receive cash or other financial assets from another entity. Financial assets, including accounts receivable, are derecognized when the rights to receive cash flows from the investments have expired or were transferred to another party and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities include the Debt with recourse to CSI, Debt without recourse to CSI, Redeemable Preferred Securities, accounts payable and accrued liabilities, dividends payable, income taxes payable and holdbacks on acquisitions. Financial liabilities are generally recognized initially at fair value, typically being transaction price, plus any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest

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method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of tax.

The Company's derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value.

Changes in the fair values of derivative financial instruments are reported in the consolidated statements of income (loss), except for cash flow hedges that meet the conditions for hedge accounting. The portion of the gain or loss on the hedging instruments that are determined to be an effective hedge are recognized directly in other comprehensive income (loss), and the ineffective portion in the consolidated statements of income (loss). The gains or losses deferred in other comprehensive income (loss) in this way are subsequently recognized in the consolidated statements of income (loss) in the same period in which the hedged underlying transaction or firm commitment is recognized in the statement of income (loss). In order to qualify for hedge accounting, the Company is required to document in advance the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at the end of each reporting period to ensure that the hedge remains highly effective.

(d) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's cash generating units ("CGU") and the net asset carrying values (including goodwill). Within the Company's reporting structure, business units generally reflect the CGU and are one level below the six operating segments (Volaris, Harris, Topicus, Jonas, Perseus, and Vela Operating Groups). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are generally derived from post-contract customer support revenues, transactional revenues, and hosted products revenues. Valuation multiples applied by the Company for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies and the Company's overall revenue based-trading multiple. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company's business acquisitions. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. The recoverable amount

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of goodwill is estimated annually on December 31 of each year or whenever events or changes in circumstances indicate that the carrying value may be impaired.

(ii) Acquired intangible assets

The Company uses the income approach to value acquired technology and customer relationship intangible assets. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life.

The Company utilizes the discounted cash flow ("DCF") methodology which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible assets.

Specifically, the Company relies on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings ("MEEM") method to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the cost savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost, being reflective of fair value, less accumulated amortization and impairment losses. Subsequent expenditures are capitalized only when it increases the future economic benefits that form part of the specific asset to which it relates and other criteria have been met. Otherwise all other expenditures are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are acquired and available for use, since this most closely reflects the expected usage and pattern of consumption of the future economic benefits embodied in the asset. To determine the useful life of the technology assets, the Company considers the length of time over which it expects to earn or recover the majority of the present value of the forecasted cash flows of the related intangible assets. The estimated useful lives for the current and comparative periods are as follows:

Technology assets	2 to 12 years
Customer assets	5 to 20 years
Trademarks	20 years
Backlog	Up to 1 year
Non-compete agreements	Term of agreement

Amortization methods, useful lives and the residual values are reviewed at least annually (or when there has been an indication of impairment) and are adjusted as appropriate.

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(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized only if the product or process is technically and commercially feasible, if development costs can be measured reliably, if future economic benefits are probable, if the Company intends to use or sell the asset and the Company intends and has sufficient resources to complete development. To date, no material development expenditures have been capitalized.

For the year ended December 31, 2021, \$737 (2020 – \$575) of research and development costs have been expensed in profit or loss. These costs are net of estimated investment tax credits, recognized as part of other, net expenses through profit or loss of \$33 for the year ended December 31, 2021 (2020 – \$28).

(e) Property and equipment

(i) Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes initial and subsequent expenditures that are directly attributable to the acquisition of the related asset. When component parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment, where applicable.

(ii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Computer hardware	3-5 years
Computer software	1 year
Furniture and equipment	5 years
Leasehold improvements	Shorter of the estimated useful life and the term of the lease
Building	50 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end or more frequently as deemed relevant, and adjusted where appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work

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in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Unbilled revenue

Unbilled revenue represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses, if any.

Unbilled revenue is presented in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the excess is presented as deferred revenue in the statement of financial position.

(h) Other non-current liabilities

Other non-current liabilities consists principally of certain acquired contract liabilities, deferred revenue, provisions and contingent consideration recognized in connection with business acquisitions to be settled in cash, which are discounted for measurement purposes.

(i) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories (which is addressed in note 3(f)) and deferred tax assets (which is addressed in note 3(m)), are reviewed at each reporting date (or more

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frequently if required) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually on December 31 of each fiscal year or whenever required.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the Company uses discounted cash flows which are determined using a pre-tax discount rate specific to the asset or CGU. The discount rate used reflects current market conditions including risks specific to the assets. Significant estimates within the cash flows include recurring revenue growth rates and operating expenses. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, which for the Company's purposes is typically representative of the business unit level within the corporate and management structure. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets (such as intangible assets and property and equipment) in the CGU (group of units) on a pro rata basis.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately and, therefore, is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as part of finance costs.

(k) 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. Software license revenue is comprised of non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. Professional service revenue consists of fees charged for implementation

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services, custom programming, product training and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services, and hosted software-as-a-service products.

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.

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 primarily on labour hours. The percentage-of-completion method based on labour hours requires the Company to make significant judgments to determine the estimated hours to completion which affects the timing of revenue recognized.

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.

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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.

Costs to Obtain a Contract

The Company allocates incremental costs to obtain a contract (which principally consists of commissions) to the various performance obligations to which they relate using the expected-based allocation (relative expected margins) for bundled costs. 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.

(I) Finance income and finance costs

Finance income comprises interest income, gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets carried at fair value through profit or loss. Interest income is recognized as it accrues through profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, amortization of the discount on provisions, and impairment losses recognized on financial assets other than trade receivables. Transaction costs attributable to the Company's bank indebtedness are recognized in finance costs using the effective interest method.

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(m) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but we intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Investment tax credits

The Company is entitled to both non-refundable and refundable investment tax credits for qualifying research and development activities. Investment tax credits are included within "Other, net" for items of a period expense nature or as a reduction of property and equipment for items of a capital nature when the amount is reliably estimable and the Company has reasonable assurance regarding compliance with the relevant objective conditions and that the credit will be realized.

(o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's President to make decisions about resources to be allocated to the segment and assessing their performance.

The Company consists of six operating segments being, Volaris, Harris, Topicus, Vela, Jonas and Perseus. Each of the Company's operating segments operate essentially as mini Constellations, conglomerates of small vertical market software companies with similar economic characteristics. Each operating segment CEO is focused on investing capital that generates returns at or above the investment hurdle rates set by CSI's head office (primarily

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the President) and the Board of Directors, irrespective of whether the acquired business operates primarily in the public or private sector. The Company aggregates the six operating segments into one reportable segment, consistent with the objective and basic principles of IFRS 8.

(p) Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares, being common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of ordinary shares by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

(q) Short-term employee benefits

Short-term employee benefit obligations, including wages, benefits, incentive compensation, and compensated absences are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid and settled under the Company's employee incentive compensation plan if the Company has legal or constructive obligation to pay this amount at the time bonuses are paid as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

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4. Business acquisitions

During the year ended December 31, 2021, the Company completed a number of acquisitions for aggregate cash consideration of \$1,224 plus cash holdbacks of \$162 and contingent consideration with an estimated acquisition date fair value of \$30. In conjunction with the acquisition of Topicus.com B.V., the Company (through Topicus Coop) also issued 5,842,882 Topicus Coop Preference Units to the seller for an initial subscription price of \$102 plus an additional subscription amount of \$34 which was paid to the Company in May 2021. The Company (through Topicus Coop) also issued 5,842,882 Topicus Coop Ordinary Units to the seller in conjunction with the acquisition of Topicus.com B.V. The total consideration resulting from acquisitions in the year ended December 31, 2021 was \$1,517. 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 year ended December 31, 2021 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 estimated financial outcome and resulting 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 \$92. Aggregate contingent consideration of \$104 (December 31, 2020 - \$88) has been reported in the consolidated statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior years. Changes made to the estimated fair value of contingent consideration are included in other, net in the consolidated statements of income (loss). An expense of \$14 has been recorded for the year ended December 31, 2021, as a result of such changes (expense of \$5 for the year ended December 31, 2020).

There were no acquisitions during the year that were deemed to be individually significant. The majority of the 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 year ended December 31, 2021 include software companies catering to the following markets: insurance, agribusiness, healthcare, financial services, education, local government, mining, communications, transit, utilities, asset management, tire distribution, hospitality, real estate brokers and agents, church and religion, public libraries, enterprise resource planning, safety management, product development, home builders, cinema management and ticketing, publishing, elevator, not-for-profit organizations, homebuilders, fleet and facility management, accounting, marketplace, engineering, notaries, call centres, auctions, fitness, oil and gas, legal, property management, student information systems, third party logistics warehouse management systems, public safety, sensory and research, data management, retail management and distribution, 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 intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of \$62 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was \$139; however, the Company has recorded an allowance of \$11 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

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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 2021. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The provisional purchase price allocations may differ from the final purchase price allocations, and these differences may be material. Revisions to the allocations will occur as additional information about the fair value of assets and liabilities becomes available. The cash consideration associated with these provisional estimates totals \$1,224. During the year ended December 31, 2021, the Company made changes to provisional estimates of prior year preliminary purchase price allocations of intangible assets and corresponding deferred income taxes. The significant changes include an increase of definite life intangible assets of \$7 and a decrease to goodwill of \$5. The impact of these provisional changes to the purchase price allocation did not have a significant impact on the Consolidated Statements of Income (Loss).

The aggregate impact of acquisition accounting applied in connection with business acquisitions in the year ended December 31, 2021 is as follows:

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Assets acquired:		
Cash	\$	153
Accounts receivable		129
Other current assets		84
Property and equipment		28
Other non-current assets		58
Deferred income taxes		16
Trademarks		25
Technology assets		727
Customer assets		772
		<hr/>
		1,992
Liabilities assumed:		
Current liabilities		153
Deferred revenue		163
Deferred income taxes		217
Long-term debt		90
Other non-current liabilities		55
		<hr/>
		678
Non-controlling interest		5
Goodwill		209
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Total consideration	\$	1,517
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(Due to rounding, numbers presented may not foot.)

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The 2021 business acquisitions contributed revenue and a net loss of \$579 and \$18 respectively during the year ended December 31, 2021. If these acquisitions had occurred on January 1, 2021, the Company estimates that consolidated revenue would have been \$5,568 and consolidated net income for the year ended December 31, 2021 would have been \$159 as compared to the amounts reported in the statement of income (loss) for the same period. In determining these amounts, the Company has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition would have been the same as if the acquisitions had occurred on January 1, 2021. The net income from acquisitions includes the associated amortization of acquired intangible assets recognized as if the acquisitions had occurred on January 1, 2021.

5. Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 14	\$ 11
Work in progress	2	3
Finished goods	19	13
Total	\$ 35	\$ 27

No inventories were carried at fair value less cost to sell, and the carrying amount of inventories subject to retention of title clauses was \$nil as at December 31, 2021 and 2020.

Raw materials (which consists primarily of hardware components) and changes in finished goods and work in progress recognized as hardware expenses in the consolidated statements of income (loss) amounted to \$90 (2020: \$89). The write-downs of inventories to net realizable value amounted to \$2 (2020: \$5). The reversals of write-downs amounted to \$3 (2020: \$3). Write-downs and reversals of write-downs are based on the Company's projected sales. The write-downs and reversals are included in hardware expenses.

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Years ended December 31, 2021 and 2020

6. Other assets and liabilities

(a) Other assets

	December 31, 2021	December 31, 2020
Prepaid expenses and other current assets	\$ 155	\$ 115
Investment tax credits recoverable	27	24
Sales tax receivable	25	18
Equity securities held for trading	39	9
Other receivables	50	52
Total other current assets	296	\$ 219
Investment tax credits recoverable	\$ 11	\$ 12
Costs to obtain a contract	46	40
Non-current trade and other receivables and other assets	39	21
Equity accounted investees	2	2
Total other non-current assets	\$ 99	\$ 75

(b) Other liabilities

	December 31, 2021	December 31, 2020
Contingent consideration	\$ 72	\$ 67
Deferred revenue	52	44
Other non-current liabilities	51	35
Total other non-current liabilities	\$ 175	\$ 146

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(Due to rounding, numbers presented may not foot.)

Years ended December 31, 2021 and 2020

7. Property and equipment

	Computer hardware	Computer software	Furniture and equipment	Leasehold improvements	Building and land	Total
Cost						
Balance at January 1, 2020	\$ 77	\$ 30	\$ 37	\$ 35	\$ 6	\$ 186
Additions	12	3	6	4	0	25
Acquisitions through business combinations	5	1	4	4	1	15
Disposals / retirements	(8)	(3)	(3)	(2)	(0)	(16)
Effect of movements in foreign exchange and other	9	6	2	1	1	18
Balance at December 31, 2020	\$ 96	\$ 36	\$ 46	\$ 43	\$ 8	\$ 229
Balance at January 1, 2021	\$ 96	\$ 36	\$ 46	\$ 43	\$ 8	\$ 229
Additions	20	3	4	2	0	29
Acquisitions through business combinations	11	2	7	5	3	27
Disposals / retirements	(5)	(1)	(3)	(5)	(3)	(18)
Effect of movements in foreign exchange and other	(3)	1	(4)	2	(0)	(4)
Balance at December 31, 2021	\$ 119	\$ 40	\$ 49	\$ 47	\$ 7	\$ 263
Depreciation and impairment losses						
Balance at January 1, 2020	\$ 46	\$ 25	\$ 21	\$ 15	\$ 1	\$ 108
Depreciation charge for the year	18	4	6	6	0	34
Disposals / retirements	(7)	(3)	(3)	(1)	(0)	(15)
Effect of movements in foreign exchange and other	7	6	3	(0)	0	16
Balance at December 31, 2020	\$ 63	\$ 33	\$ 27	\$ 20	\$ 1	\$ 143
Balance at January 1, 2021	\$ 63	\$ 33	\$ 27	\$ 20	\$ 1	\$ 143
Depreciation charge for the year	21	3	7	7	0	38
Disposals / retirements	(4)	(1)	(2)	(2)	(1)	(11)
Effect of movements in foreign exchange and other	(2)	1	(0)	(1)	1	(0)
Balance at December 31, 2021	\$ 77	\$ 36	\$ 31	\$ 24	\$ 1	\$ 170
Carrying amounts:						
At January 1, 2020	\$ 32	\$ 5	\$ 16	\$ 20	\$ 5	\$ 78
At December 31, 2020	\$ 33	\$ 4	\$ 19	\$ 23	\$ 7	\$ 86
At January 1, 2021	\$ 33	\$ 4	\$ 19	\$ 23	\$ 7	\$ 86
At December 31, 2021	\$ 42	\$ 4	\$ 18	\$ 23	\$ 6	\$ 93

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8. Right of use assets

The following table presents the right-of-use assets for the Company:

	Computer hardware	Vehicles	Furniture and equipment	Building	Other	Total
Cost						
Balance at January 1, 2020	\$ 12	\$ 17	\$ 3	\$ 258	\$ 3	\$ 294
Additions	4	7	1	42	1	55
Acquisitions through business combinations	1	3	0	37	0	41
Disposals / retirements	(1)	(3)	(0)	(29)	(0)	(33)
Effect of movements in foreign exchange and other	3	2	0	7	0	12
Balance at December 31, 2020	\$ 19	\$ 27	\$ 4	\$ 315	\$ 4	\$ 369
Balance at January 1, 2021	\$ 19	\$ 27	\$ 4	\$ 315	\$ 4	\$ 369
Additions	9	8	1	34	0	52
Acquisitions through business combinations	1	3	0	49	1	54
Disposals / retirements	(3)	(5)	(1)	(31)	(0)	(40)
Effect of movements in foreign exchange and other	(1)	(2)	(0)	(12)	(0)	(16)
Balance at December 31, 2021	\$ 25	\$ 31	\$ 5	\$ 355	\$ 4	\$ 419
Depreciation and impairment losses						
Balance at January 1, 2020	\$ 4	\$ 5	\$ 1	\$ 49	\$ 0	\$ 60
Depreciation charge for the year	6	7	1	56	1	72
Disposals / retirements	(1)	(2)	(0)	(11)	(0)	(14)
Effect of movements in foreign exchange and other	0	0	(0)	(1)	0	(0)
Balance at December 31, 2020	9	11	2	94	1	117
Balance at January 1, 2021	9	11	2	94	1	117
Depreciation charge for the year	6	9	1	66	1	83
Disposals / retirements	(3)	(3)	(0)	(14)	(0)	(20)
Effect of movements in foreign exchange and other	(0)	(1)	(0)	(4)	(0)	(6)
Balance at December 31, 2021	12	15	2	143	2	174
Carrying amounts:						
At January 1, 2020	\$ 8	\$ 12	\$ 3	\$ 209	\$ 2	\$ 234
At December 31, 2020	\$ 10	\$ 16	\$ 3	\$ 221	\$ 2	\$ 251
At January 1, 2021	\$ 10	\$ 16	\$ 3	\$ 221	\$ 2	\$ 251
At December 31, 2021	\$ 13	\$ 16	\$ 2	\$ 212	\$ 2	\$ 245

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9. Intangible assets and goodwill

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Trademarks	Goodwill	Total
Cost							
Balance at January 1, 2020	\$ 2,169	\$ 1,309	\$ 16	\$ 3	\$ 7	\$ 361	\$ 3,865
Acquisitions through business combinations	343	285	-	-	-	60	688
Effect of movements in foreign exchange	57	47	0	0	0	15	119
Balance at December 31, 2020	\$ 2,568	\$ 1,640	\$ 17	\$ 3	\$ 8	\$ 435	\$ 4,671
Balance at January 1, 2021	\$ 2,568	\$ 1,640	\$ 17	\$ 3	\$ 8	\$ 435	\$ 4,671
Acquisitions through business combinations	728	780	-	-	25	199	1,732
Effect of movements in foreign exchange	(70)	(64)	0	(0)	(2)	(21)	(158)
Balance at December 31, 2021	\$ 3,226	\$ 2,356	\$ 17	\$ 3	\$ 30	\$ 614	\$ 6,245
Accumulated amortization and impairment losses							
Balance at January 1, 2020	\$ 1,351	\$ 495	\$ 16	\$ 3	\$ 2	\$ -	\$ 1,868
Amortization for the period	261	142	0	0	0	-	403
Impairment charge	6	2	-	-	-	4	12
Effect of movements in foreign exchange	43	19	0	0	0	-	63
Balance at December 31, 2020	\$ 1,662	\$ 659	\$ 17	\$ 3	\$ 3	\$ 4	\$ 2,346
Balance at January 1, 2021	\$ 1,662	\$ 659	\$ 17	\$ 3	\$ 3	\$ 4	\$ 2,346
Amortization for the period	313	203	0	0	1	-	518
Impairment charge	3	6	-	-	-	0	10
Effect of movements in foreign exchange	(38)	(19)	0	(0)	0	-	(57)
Balance at December 31, 2021	\$ 1,941	\$ 849	\$ 17	\$ 2	\$ 4	\$ 4	\$ 2,817
Carrying amounts							
At January 1, 2020	\$ 817	\$ 813	\$ (0)	\$ 0	\$ 5	\$ 361	\$ 1,997
At December 31, 2020	\$ 907	\$ 981	\$ (0)	\$ 0	\$ 5	\$ 432	\$ 2,325
At January 1, 2021	\$ 907	\$ 981	\$ (0)	\$ 0	\$ 5	\$ 432	\$ 2,325
At December 31, 2021	\$ 1,285	\$ 1,507	\$ 0	\$ 0	\$ 26	\$ 610	\$ 3,428

Impairment testing for cash-generating units containing goodwill

The annual impairment test of goodwill was performed as of December 31, 2021 and 2020. During the year ended December 31, 2021, goodwill in the amount of \$0 was impaired and expensed in the consolidated statement of income (loss) (2020 - \$4). For the purpose of impairment testing, goodwill is allocated to the Company's business units included in each operating segment, which represent the lowest level within the Company at which goodwill is monitored for internal purposes. There was no goodwill reallocated to the Company's CGUs that was deemed to be significant in comparison to the carrying amount of goodwill as at December 31, 2021.

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In determining the recoverable amount, the Company applied an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are derived from combined software/support contracts, transaction revenues, and hosted products. Valuation multiples, which are Level 3 inputs, applied by the Company for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies. The Company has seven CGUs whereby the total goodwill allocated is significant in comparison to the Company's total carrying amount of goodwill. The total goodwill allocated to each of these CGUs as at December 31, 2021 is \$25, \$26, \$54, \$25, \$28, \$26 and \$25.

10. Debt with recourse to CSI

	CSI Facility	Liability of CSI under the IRGA	Debentures	Term Loan	Total
Principal outstanding at December 31, 2021 (and, except for debentures, equal to fair value)	\$ -	\$ 395	\$ 222	\$ 88	\$ 705
Deduct: Carrying value of transaction costs included in debt balance	-	-	-	(0)	(0)
Carrying value at December 31, 2021	-	395	222	87	704
Current portion	-	143	-	-	143
Non-current portion	-	252	222	87	561

CSI Facility

On November 5, 2021, 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 \$700, extending its maturity date to November 2026. 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 December 31, 2021 \$nil (December 31, 2020 – \$nil) had been drawn from this credit facility, and letters of credit totaling \$79 (December 31, 2020 - \$19) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the CSI Facility are being amortized through profit or loss using the effective interest rate method. As at December 31, 2021 the carrying amount of such costs is \$2 (December 31, 2020 - \$1).

Liability of CSI under the terms of the IRGA/TSS Membership Agreement

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of TSS by CSI, and on the basis of the term sheets attached thereto, Constellation and the Joday Group, among others, entered into a Members Agreement (the "Members Agreement") pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A.), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was EUR 39 (\$49).

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create

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certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. The Joday Group's interest in Topicus Coop now comprises 19,665,642 Topicus Coop Ordinary Units and 19,665,642 Topicus Coop Preference Units (collectively the "Topicus Coop Units") resulting in an interest of 30.29% in Topicus Coop as of December 31, 2021. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units.

Any time after January 5, 2021, any member of the Joday Group has the right, at their option, to sell any number of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase 33.33% of such Topicus Coop Units within 30 days, and an additional 33.33% on each of the first and the second anniversary of such initial purchase. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

In the event of a change of control of CSI, any member of the Joday Group has the right, at their option, to sell all of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase all such Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

If CSI reduces its economic interest in Topicus by a sale or transfer of its economic interest (and not due to any additional issuance of any shares or equity by Topicus) by more than one-third (calculated on a fully converted basis in accordance with the IRGA), any member of the Joday Group has the right, at their option, to sell to CSI one-third of its Topicus Coop Units at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such put option by a member of the Joday Group, CSI will be obligated to purchase all such put Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI. Any member of the Joday Group has a similar right to sell one-half or all of its remaining Topicus Coop Units, respectively, at its option, if CSI further reduces its remaining fully-diluted economic interest in Topicus by a sale or transfer of its economic interest by one-half and again if CSI sells its entire remaining economic interest in Topicus.

All of the Topicus Coop Ordinary Units and Topicus Coop Preference Units held by the Joday Group and Ijssel B.V. (collectively, the "Topicus Coop Exchangeable Units") are exchangeable, directly or indirectly, for Topicus Subordinate Voting Shares. All of the above rights of members of the Joday Group apply to any Topicus Subordinate Voting Shares issued on an exchange of Topicus Coop Exchangeable Units.

At any time after December 31, 2023, CSI has the right, at its option, to buy all of the Topicus Coop Units and shares of Topicus held by certain members of the Joday Group (excluding Joday) at a cash price per Topicus Coop Unit (or share of Topicus, as applicable) determined in accordance with the IRGA. After December 31, 2043, CSI has the same right to buy all of the Topicus Coop Units and shares of Topicus held by the remaining members of the Joday Group, including Joday.

In addition, if certain individuals affiliated with Joday are terminated from their employment with Topicus Coop or an affiliate thereof for urgent cause (as defined in the Dutch Civil Code), CSI has the right, at its option, to buy all of Topicus Coop Units held by such individuals at a cash price per Topicus Coop Unit determined in accordance with the IRGA.

The Company has continued to classify the above obligations of CSI under the terms of the IRGA as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of Topicus. Maintenance and recurring revenue of Topicus for the trailing twelve months on a pro-forma basis 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

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decrease in the value of such liability is recorded as an expense or income in the consolidated statements of income (loss) for the period. In conjunction with the termination of the Members Agreement and the execution of the IRGA, the Company recognized an expense of \$19 as the formula associated with the calculation of the obligation has changed from the use of actual trailing twelve months maintenance and other recurring revenue of Topicus to a calculation which includes the revenue increase from acquired companies on a pro-forma basis.

During the periods ended December 31, 2021 and December 31, 2020, no options were exercised. During the period, a distribution in the amount of \$22 was paid to the Joday Group.

Debentures

On October 1, 2014 and November 19, 2014, the Company issued debentures with a total principal value of C\$96 for total proceeds of C\$91. 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 for total proceeds of C\$214.

The Debentures have a maturity date of March 31, 2040 (the “Maturity Date”).

The interest rate from and including:

- March 31, 2019 but excluding March 31, 2020 was 8.8%
- March 31, 2020 but excluding March 31, 2021 was 8.4%
- March 31, 2021 but excluding March 31, 2022 is 7.2%
- March 31, 2022 but excluding March 31, 2023 is 9.9%

Subsequent from and including March 31, 2023 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

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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 years ended December 31, 2021 and December 31, 2020, no notices for redemption of the Debentures were received or given by the Company.

The fair value of the debentures as at December 31, 2021 was \$308 (December 31, 2020 - \$284).

Term Loan

One of CSI's subsidiaries has entered into a GBP 65 term debt facility with a financial institution for which CSI has guaranteed the debt. The facility bears a fixed rate of interest. The term loan contains events of default that, if not remedied, allow the loan note holder to require repayment of the loan principal and interest. The loan is due in 2028.

11. Debt without recourse to CSI

Certain of CSI's subsidiaries have entered into term debt facilities and revolving credit facilities with various financial institutions. CSI does not guarantee the debt of these subsidiaries, nor are there any cross-guarantees between subsidiaries. The credit facilities are collateralized by substantially all of the assets of the borrowing entity and its subsidiaries. The credit facilities typically bear interest at a rate calculated using an interest rate index plus a margin. The financing arrangements for each subsidiary typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of acquisitions and sales of assets. In addition, certain financial covenants must be met by those subsidiaries that have outstanding debt.

Debt without recourse to CSI comprises the following:

	Revolving Credit Facilities	Term Debt Facilities	Total
Principal outstanding at December 31, 2021 (and equal to fair value)	\$ 51	\$ 372	423
Deduct: Carrying value of transaction costs included in debt balance	(0)	(9)	(9)
Carrying value at December 31, 2021	51	363	414
Current portion	51	9	60
Non-current portion	-	354	354

The annual minimum repayment requirements for the term facilities without recourse to CSI are as follows:

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Year	Term Debt Facilities
2022	8
2023	23
2024	6
2025	174
2026	92
2027	1
2028	69
2029	-
2030	0
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12. Redeemable Preferred Securities

In conjunction with the acquisition of Topicus.com B.V., Topicus Coop issued 5,842,882 Topicus Coop Preference Units to Ijssel B.V. The Topicus Coop Preference Units are non-voting and prior to the Notification of Conversion were redeemable at the option of the holder for a redemption price of approximately EUR 19.06 per unit. The redemption price would either be settled in cash or through the issuance of a variable number of Topicus Coop Ordinary Units. The number of Topicus Coop Ordinary Units would be determined based on the terms of the Topicus Coop Preference Units. The Topicus Coop Preference Units are convertible into Topicus Coop Ordinary Units (note 28) at a conversion ratio of 1:1. The Topicus Coop Preference Unit holders will also be entitled to a fixed annual cumulative dividend of 5% per annum on the initial Topicus Coop Preference Unit value of approximately EUR 19.06 per unit.

The fair value of the Topicus Coop Preference Units owned by Ijssel B.V. at issuance was \$136 and was classified as a liability. The Company determined that the conversion option associated with the Topicus Coop Preference Units did not result in a fixed amount of cash being exchanged for a fixed amount of units (i.e. the conversion option does not meet the “fixed for fixed” requirement). As a result, the Topicus Coop Preference Units had been recorded at fair value at the end of each reporting period up to the Notification of Conversion date. The change in fair value of the Topicus Coop Preference Units owned by Ijssel B.V. was recorded as a redeemable preferred securities expense (income) in the consolidated statements of income (loss) up to the Notification of Conversion date.

During the three months ended June 30, 2021, the Topicus Coop Preference Units reached the Mandatory Conversion Moment (see below). As a result of reaching the Mandatory Conversion Moment, the Topicus Coop Preference Unit holders notified Topicus that they were electing to convert their Topicus Coop Preference Units into Topicus Coop Ordinary Units, which conversion would become effective on February 1, 2022 (“Notification of Conversion”). On the date that Topicus received the Notification of Conversion from the Topicus Coop Preference Unit holders, the Topicus Coop Preference Units were re-classified from a liability to equity (non-controlling interest) because the Topicus Coop Preference Units were no longer redeemable for cash or through the issuance of Topicus Coop Ordinary Units of equal value, or any combination thereof. Following receipt of the Notification of Conversion, the holders of the Topicus Coop Preference Units are required to convert their Topicus Coop Preference Units to Topicus Coop Ordinary Units on February 1, 2022, however, they may choose to convert prior to February 1, 2022 pursuant to the Topicus Coop Preference Unit Conversion Right (as defined below). On the Notification of Conversion date, the Company also accrued the expected dividend to be paid relating to the period from the

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Notification of Conversion date to the expected conversion date of February 1, 2022. The dividend to be paid relating to this period has been recorded directly in equity (non-controlling interest).

Further descriptions of the significant terms and conditions of these Topicus Coop Preference Units are described below. The terms and conditions of the Topicus Coop Preference Units should be read in conjunction with the terms and conditions of the Topicus Preferred Shares held by CSI in Topicus (note 1).

Conversion

Holders of the Topicus Coop Preference Units are entitled to convert some or all of their Topicus Coop Preference Units into Topicus Coop Ordinary Units on a one for one basis at any time (the “Topicus Coop Preference Unit Conversion Right”). Pursuant to the terms of the IRGA and the exchange agreement entered into among Topicus, Topicus Coop, the Joday Group and Ijssel B.V. (the “Exchange Agreement”), the portion of the Topicus Coop Preference Units which constitute Topicus Coop Exchangeable Units are indirectly exchangeable for Topicus Subordinate Voting Shares.

Upon the exercise of the Topicus Coop Preference Unit Conversion Right, the holders of the Topicus Coop Preference Units will be entitled to receive all accrued but unpaid dividends accruing to the day before the conversion date. Pursuant to the terms of the IRGA, the board of directors of Topicus Coop will make a determination as to whether Topicus Coop has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Topicus Coop Preference Units in cash. If the board of directors of Topicus Coop determines that Topicus Coop does not have sufficient cash on hand, the accrued but unpaid dividends will be satisfied by the issuance of Topicus Coop Ordinary Units of equal value, based on the terms of the Topicus Coop Preference Units.

Holders of Topicus Coop Preference Units are entitled to exercise their Topicus Coop Preference Unit Conversion Right, and either continue to hold Topicus Coop Ordinary Units, or, pursuant to the terms of the IRGA and the Exchange Agreement, the portion of Topicus Coop Ordinary Units which constitute Topicus Coop Exchangeable Units can be exchanged for Topicus Subordinate Voting Shares.

Redemption at the Option of the Holder

Prior to the Notification of Conversion, upon the exercise by Topicus Coop of the Topicus Coop Call Right (as defined below), or the exercise of the Topicus Coop Preference Unit Retraction Right (as defined below), holders of the Topicus Coop Preference Units had a right that mirrored the Topicus Preferred Share Call Price Right (but at the Topicus Coop level) (the “Topicus Coop Preference Unit Call Price Right”), and was subject to substantially the same terms and restrictions as applied to the Topicus Preferred Share Call Price Right (but at the Topicus Coop level). As the Topicus Coop Preference Unit Call Price Right occurred at the Topicus Coop level, the holders of the Topicus Coop Preference Units would have received Topicus Coop Ordinary Units, and not Topicus Subordinate Voting Shares, in connection with the exercise of this right. Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer redeemable.

Prior to the Notification of Conversion, the “Topicus Coop Preference Unit Retraction Right” provided that (i) at any time until July 5, 2021, CSI would have had the right (but not the obligation) to sell all of its Topicus Preferred Shares to Topicus and exercise the Topicus Preferred Share Call Price Right, in which case, the holders of the Topicus Coop Preference Units would have been entitled to sell all of their Topicus Coop Preference Units to Topicus Coop and exercise the Topicus Coop Preference Units Call Price Right, and (ii) at any time after July 5, 2021, holders representing 95% of the Preferred Securities (excluding any Topicus Coop Preference Units held by Topicus) would have had the right (but not the obligation) to entitle the holders of the Topicus Coop Preference Units to sell all of

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their Topicus Coop Preference Units to Topicus Coop and exercise the Topicus Coop Preference Unit Call Price Right. Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer retractable.

Prior to the Notification of Conversion, holders of the Topicus Coop Preference Units had a redemption right that mirrored the Topicus Preferred Share Put Right (but at the Topicus Coop level), and was subject to substantially the same terms and restrictions that applied to the Topicus Preferred Share Put Right (but at the Topicus Coop level). Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer redeemable.

Redemption at the Option of Topicus Coop

Prior to the Notification of Conversion, Topicus Coop had a redemption right in respect of the Topicus Coop Preference Units that mirrored the Topicus Mandatory Conversion Moment Call Right (but at the Topicus Coop level) and was subject to substantially the same terms and restrictions that applied to the Topicus Mandatory Conversion Moment Call Right (but at the Topicus Coop level). This right could only be exercised by Topicus Coop if Topicus exercised the Topicus Mandatory Conversion Moment Call Right. Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer redeemable.

Prior to the Notification of Conversion, Topicus Coop had a redemption right in respect of the Topicus Coop Preference Units that mirrored the Topicus Call Right (but at the Topicus Coop level), and which was subject to substantially the same terms and restrictions that apply to the Topicus Call Right (but at the Topicus Coop level) (the "Topicus Coop Call Right"). The Topicus Coop Call Right could only be exercised by Topicus Coop if Topicus exercised the Topicus Call Right concurrently. Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer redeemable.

13. Provisions

At January 1, 2021	\$	20
Reversal		(3)
Provisions recorded during the period		14
Provisions used during the period		(9)
Effect of movements in foreign exchange and other		(1)
At December 31, 2021	\$	21
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Provisions classified as current liabilities		11
Provisions classified as other non-current liabilities		10

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

14. Lease obligations

The following table presents the expected maturity of the undiscounted cash flows for lease obligations as at December 31, 2021:

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	December 31, 2021
Less than 1 year	\$ 86
Between 1 and 5 years	169
More than 5 years	37
Total	\$ 292
Less: Impact of discounting	(23)
Leases obligation recorded on balance sheet	\$ 270

The expense relating to variable lease payments not included in the measurement of lease obligations was \$6 (2020 - \$7). This consists primarily of variable lease payments for property taxes. Expenses relating to short-term leases were \$7 (2020 - \$9), expenses relating to leases of low value assets were \$1 (2020 - \$1) and sublease income was \$1 (2020 - \$1). Total cash outflow for leases was \$106 (2020 - \$91).

15. Income taxes

(a) Tax recognized in profit or loss

	2021	2020
Income tax recognized in profit or loss		
Current income tax expense (recovery)		
Current year	253	225
Adjustment for prior years	3	(4)
	257	221
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	(46)	(70)
Effect of change in future tax rates	9	8
Change in recognized temporary differences and unrecognized tax losses	(18)	22
Adjustment for prior years	4	(15)
	(51)	(55)
Income tax expense (recovery)	206	167

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(b) Reconciliation of effective tax rate

	2021	2020
Net income for the year	169	436
Income tax expense	206	167
Income before income taxes	374	603
Income tax expense using the Company's statutory tax rate of 26.5% (2020 - 26.5%)	99	160
Impact on taxes from:		
Foreign tax rate differential	(19)	(14)
Other, including non-deductible expenses and non-taxable income	50	10
Redeemable preferred securities expense which is not deductible for tax purposes	78	-
Change in recognized temporary differences and unrecognized tax losses	(18)	22
Effect of change in future tax rates	9	8
Adjustment for prior years	7	(18)
	206	167

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.

16. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

The aggregate amount of temporary differences associated with investments in subsidiaries for which we have not recognized deferred tax liabilities is \$878 (2020: \$756) as the Company ultimately controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future. The temporary differences relate to undistributed earnings of the Company's subsidiaries. Dividends declared would be subject to withholding tax in the range of 0-15% depending on the jurisdiction of the subsidiary.

(b) Unrecognized deferred tax assets

	2021	2020
Deductible temporary differences, including capital losses	\$ 230	\$ 53
Non-capital tax losses	\$ 427	\$ 374

Non-capital tax losses of \$240 expire between 2022 and 2041 and \$187 can be carried forward indefinitely. Included in the non-capital tax losses expiring between 2022 and 2040 is \$141 of losses that are not expected to be used to offset future taxable profit as a result of legislative restrictions in the jurisdiction where those losses exist. The deductible temporary differences and capital losses do not expire under current tax legislation. Deferred tax assets

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have not been recognized in respect of those items because it is not probable that future taxable profit will be available in those jurisdictions against which the Company can utilize these benefits.

(c) Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	6	6	(3)	(3)	3	2
Intangible assets	116	104	(539)	(364)	(423)	(261)
Reserves	25	20	(5)	(4)	20	18
Non-capital loss carryforwards	53	32	-	-	53	32
Scientific research and experimental development expenditure pool	1	-	(0)	(8)	1	(8)
Deferred revenue	20	20	(0)	(4)	20	16
Foreign and other tax credits	0	-	(4)	(5)	(4)	(5)
Other, including capital losses, withholding tax and foreign exchange	7	4	(46)	(30)	(39)	(27)
Tax assets (liabilities)	228	186	(598)	(418)	(370)	(233)
Reclassification	(162)	(134)	162	134	-	-
Net tax assets (liabilities)	66	52	(436)	(285)	(370)	(233)

This reclassification relates to the offsetting of deferred tax assets and deferred tax liabilities to the extent that they relate to the same taxing authorities and there is a legally enforceable right to do so.

(d) Movement in deferred tax balances during the year

	Balance January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Acquired in business combinations	Other	Balance December 31, 2021
Property, plant and equipment	2	1	-	(0)	-	3
Intangible assets	(261)	38	-	(214)	14	(423)
Reserves	18	1	-	1	-	20
Non-capital loss carryforwards	32	9	-	12	-	53
Scientific research and experimental development expenditure pool	(8)	9	-	0	-	1
Deferred revenue	16	3	-	0	-	20
Tax credits	(5)	1	-	(0)	-	(4)
Other, including capital losses and withholding tax	(27)	(11)	-	0	-	(39)
	(233)	51	-	(201)	14	(370)

	Balance January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Acquired in business combinations	Other	Balance December 31, 2020
Property, plant and equipment	3	(1)	-	-	-	2
Intangible assets	(238)	77	-	(100)	-	(261)
Reserves	17	1	-	-	-	18
Non-capital loss carryforwards	26	(6)	-	12	-	32
Scientific research and experimental development expenditure pool	-	(9)	-	1	-	(8)
Deferred revenue	22	(6)	-	-	-	16
Tax credits	(6)	1	-	-	-	(5)
Other, including capital losses, withholding tax and foreign exchange	(25)	(2)	-	-	-	(27)
	(201)	55	-	(87)	-	(233)

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17. Capital and other components of equity

Capital Stock

At December 31, 2021 and December 31, 2020, the authorized share capital of Constellation consisted of an unlimited number of voting common shares and a limited number of non-voting preferred shares (there are no preferred shares outstanding).

	Common Shares	
	Number	Amount
December 31, 2021	21,191,530	\$ 99
December 31, 2020	21,191,530	\$ 99

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) is comprised of the following separate components of equity:

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as foreign exchange gains and losses arising from monetary items that form part of the net investment in the foreign operation.

Amounts related to derivatives designated as hedges

The portion of the gain or loss on derivatives designated as hedges that are determined to be an effective hedge are recognized directly in other comprehensive income (loss), and the ineffective portion in the statement of income (loss). The gains or losses deferred in other comprehensive income (loss) in this way are subsequently recognized in the statement of income (loss) in the same period in which the hedged underlying transaction or firm commitment is recognized in the statement of income (loss).

Dividends

During the three months ended March 31, 2021, the Company declared a \$1.00 per share dividend to all common shareholders of record at close of business on March 16, 2021. The dividend declared in the quarter ended March 31, 2021 representing \$21 was paid and settled on April 9, 2021. During the three months ended June 30, 2021, the Company declared a \$1.00 per share dividend to all common shareholders of record at close of business on June 19, 2021. The dividend declared in the quarter ended June 30, 2021 representing \$21 was paid and settled on July 10, 2021. During the three months ended September 30, 2021, the Company declared a \$1.00 per share dividend to all common shareholders of record at close of business on September 17, 2021. The dividend declared in the quarter ended September 30, 2021 representing \$21 was paid and settled on October 8, 2021. On November 4, 2021 the Company declared a \$1.00 per share dividend to all common shareholders of record at close of business

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on December 20, 2021. The dividend declared in the quarter ended December 31, 2021 representing \$21 was paid and settled on January 11, 2022.

A dividend of \$1.00 per share representing \$21 was accrued as at December 31, 2020 and subsequently paid and settled on January 11, 2021.

On December 18, 2020, the Company declared a special dividend pursuant to which all common shareholders of record on December 28, 2020 of the Company were entitled to receive, by way of a dividend-in-kind, 1.859817814 Topicus Subordinate Voting Shares for each Constellation Software Inc. share held. The dividend was distributed on January 4, 2021.

18. Finance and other expense (income)

	Years ended December 31,	
	2021	2020
Interest income on cash	\$ (2)	\$ (1)
(Increase) decrease in the fair value of equity securities held for trading	(2)	0
Share in net (income) loss of equity investee	(1)	0
Finance and other income	(2)	(3)
Finance and other expense (income)	\$ (7)	\$ (4)
Interest expense on debt and debentures	\$ 44	\$ 32
Interest expense on lease obligations	9	9
Amortization of debt related transaction costs	2	2
Amortization of debenture discount (premium) and associated rights offering, net	(1)	(4)
Other finance costs	13	8
Finance costs	\$ 68	\$ 46

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Years ended December 31, 2021 and 2020

19. Earnings per share

Basic and diluted earnings per share

	Years ended December 31,	
	2021	2020
Numerator:		
Net income attributable to common shareholders of CSI	\$ 310	\$ 436
Denominator:		
Basic and diluted shares outstanding	21,191,530	21,191,530
Earnings per share		
Basic and diluted	\$ 14.65	\$ 20.59

20. Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company manages its capital with the objective of ensuring that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of cash, Debt with recourse to CSI, Debt without recourse to CSI, and components of shareholders' equity including retained earnings and capital stock.

The Company is subject to certain covenants on its CSI facility. The covenants include a leverage ratio and an interest coverage ratio. The Debt without recourse to CSI is also subject to certain covenants. The Company monitors the ratios on a quarterly basis. As at December 31, 2021 and 2020, the Company is in compliance with its debt covenants. Other than the covenants required for the CSI facility and the Debt without recourse to CSI, the Company is not subject to any externally imposed capital requirements.

The Board of Directors determine if and when dividends should be declared and paid based on all relevant circumstances, including the desirability of financing further growth of the Company and its financial position at the relevant time. The Board of Directors has adopted a policy to pay quarterly dividends, which commenced in 2012. Constellation intends to declare a regular quarterly dividend to allow shareholders to participate in its free cash flow, while retaining sufficient capital to invest in acquisitions and organic growth. There is no guarantee that dividends will continue to be declared and paid in the future.

The Company makes adjustments to its capital structure in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may increase or decrease dividends, increase or decrease the line of credit or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business, as well as significant acquisitions and other major investments above pre-determined quantitative thresholds.

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21. Financial risk management and financial instruments

Overview

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below.

Market risk

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

The Company is exposed to interest rate risk on the utilized portion of its CSI facility and its Debentures and does not currently hold any financial instruments that mitigate this risk. If there was a 1% increase in the interest rate on the Debentures, there would be a corresponding decrease in income before tax of \$2. There would be an equal and opposite impact if there was a 1% decrease in the interest rate.

The Company is also exposed to interest rate risk on the utilized portion of the Debt without recourse to CSI. If there was a 1% increase in the interest rate on the Debt without recourse to CSI, there would be a corresponding decrease in income before tax of \$4. There would be an equal and opposite impact if there was a 1% decrease in the interest rate.

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates which impact sales and purchases that are denominated in a currency other than the respective functional currencies of certain of its subsidiaries. The Company currently does not typically use derivative instruments to hedge its exposure to those risks. Most of the Company's businesses are organized geographically so that many of its expenses are incurred in the same currency as its revenues thus mitigating some of its exposure to currency fluctuations.

Foreign currency sensitivity analysis:

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is through the Canadian dollar denominated Debentures (note 10) and the Euro denominated IRGA Liability (note 10). The carrying value of the Debentures at December 31, 2021 is \$222 (C\$282) (December 31, 2020 - \$223 (C\$284)). If there was a 1% strengthening of the Canadian dollar against the U.S. dollar, there would be a corresponding decrease in income before income taxes of \$2. There would be an equal and opposite impact if there was a 1% weakening of the Canadian dollar against the U.S. dollar. The carrying value of the IRGA Liability as at December 31, 2021 is \$395 (EUR 348). If there was a 1% strengthening of the EUR against the U.S. dollar, there would be a corresponding decrease in income before income taxes of \$4. There would be an equal and opposite impact if there was a 1% weakening of the EUR dollar against the U.S. dollar.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure and

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financial leverage, as outlined in note 20 to the consolidated financial statements. The Company's growth is financed through a combination of cash flows from operations and borrowing under the Debt with recourse to CSI and Debt without recourse to CSI. One of the Company's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows from operations. The details of the Company's Debt with recourse to CSI and Debt without recourse to CSI are disclosed in note 10 and note 11 to the consolidated financial statements. As at December 31, 2021, available credit in respect of the Company's CSI facility was \$621.

The majority of the Company's financial liabilities recorded in accounts payable and accrued liabilities are due within 60 days. The Company also has payment processing liabilities which are settled within a few days of year-end. Included in cash is an equivalent cash balance of \$15 (December 31, 2020 - \$12) that is held to settle these payment processing liabilities as they become due. Holdbacks payable related to business acquisitions are generally payable within six months to two years.

Given the Company's available liquid resources and credit capacity as compared to the timing of the payments of liabilities, the Company assesses its liquidity risk to be low.

Credit risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. The carrying amount of the Company's financial assets, including receivables from customers, represents the Company's maximum credit exposure.

The majority of the accounts receivable balance relates to maintenance invoices to customers that have a history of payment. In addition, a large proportion of the Company's accounts receivable are with public sector government agencies where the credit risk has historically been assessed to be low.

The maximum exposure to credit risk for accounts receivable at the reporting date by geographic region was:

	December 31, 2021	December 31, 2020
United States	\$ 228	\$ 178
Canada	56	50
United Kingdom	73	63
Europe	192	155
Other	50	37
	\$ 600	\$ 483

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The aging of accounts receivables at the reporting date was:

	December 31, 2021	December 31, 2020
Current		
Gross	\$ 516	\$ 414
Impairment	(3)	(1)
Net	513	413
90-180 days		
Gross	64	51
Impairment	(1)	(2)
Net	63	48
More than 180 days		
Gross	53	53
Impairment	(28)	(31)
Net	25	22
Total accounts receivable		
Gross	\$ 632	\$ 518
Impairment	(32)	(34)
Net	600	483

An allowance account for accounts receivable is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at which point the amounts are considered to be uncollectible and are written off against the specific accounts receivable amount attributable to a customer. The number of days outstanding of an individual receivable balance is the key indicator for determining whether an account is at risk of being impaired.

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The movement in the allowance for impairment in respect of accounts receivable during the year ended:

	2021	2020
Aggregate balance at January 1	\$ 34	\$ 31
Increase from business acquisitions	10	5
Impairment loss recognized	19	30
Impairment loss reversed	(18)	(19)
Amounts written off	(12)	(11)
Other movements	(1)	(1)
Aggregate balance at December 31	\$ 32	\$ 34
Allowance for doubtful accounts arising from business combinations	\$ 11	\$ 8

There is no concentration of credit risk because of the Company's diverse and disparate number of customers with individual receivables that are not significant to the Company on a consolidated basis. In addition, the Company typically requires up front deposits from customers to protect against credit risk.

The Company manages credit risk related to cash by maintaining the majority of the Company's bank accounts with Schedule 1 banks.

In the ordinary course of business, the Company and its subsidiaries have provided performance bonds and other guarantees for the completion of certain customer contracts. The Company has not experienced a loss to date and future losses are not anticipated; therefore, no liability has been recorded in the consolidated statements of financial position related to these types of indemnifications or guarantees at December 31, 2021.

Fair values versus carrying amounts

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends payable, income taxes payable, the majority of acquisition holdbacks, and the CSI Facility, approximate their fair values due to the short-term nature of these instruments. The carrying value of the debt without recourse to CSI and the Term Loan approximate their fair values as the debt is subject to market interest rates. The carrying value of the IRGA liability approximates fair value.

Reconciliation of cash flows from financing activities

The following table reconciles the changes in cash flows from financing activities for certain liabilities that are outstanding as at December 31:

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Years ended December 31, 2021 and 2020

	Debt with recourse to CSI	Debt without recourse to CSI	Lease liability	Dividends
Balance at January 1, 2021	\$ 534	\$ 227	\$ 275	\$ 21
Reclassification of deferred financing fees from other assets	1	-	-	-
Increase (decrease) in revolving credit under debt facilities without recourse to CSI	-	30	-	-
Proceeds from issuance of term debt under facilities without recourse to CSI	-	176	-	-
Repayments of term debt under facilities without recourse to CSI	-	(6)	-	-
Increase (decrease) in the CSI facility	-	-	-	-
Payments of lease obligations	-	-	(83)	-
Dividends paid	-	-	-	(85)
Distribution to the Joday Group	(22)	-	-	-
Credit facility transaction costs	(1)	(5)	-	-
Total financing cash flow activities	(23)	196	(83)	(85)
Amortization of debt discounts and premiums	(1)	-	-	-
Liabilities assumed in acquisitions	90	1	-	-
Amortization of debt related transaction costs	-	2	-	-
IRGA liability revaluation charge	132	-	-	-
New leases, net of terminations and modifications	-	-	87	-
Dividends declared	-	-	-	85
Foreign exchange loss (gain)	(24)	-	(0)	0
Foreign currency translation differences from foreign operations	(5)	(12)	(10)	-
Total financing non-cash activities	193	(9)	77	85
Balance at December 31, 2021	\$ 704	\$ 414	\$ 270	\$ 22

	Debt with recourse to CSI	Debt without recourse to CSI	Lease liability	Dividends
Balance at January 1, 2020	\$ 506	\$ 210	\$ 250	\$ 21
Reclassification of deferred financing fees from other assets	2	-	-	-
Increase (decrease) in revolving credit under debt facilities without recourse to CSI	-	(31)	-	-
Proceeds from issuance of term debt under facilities without recourse to CSI	-	48	-	-
Repayments of term debt under facilities without recourse to CSI	-	(6)	-	-
Increase (decrease) in the CSI facility	(65)	-	-	-
Payments of lease obligations	-	-	(66)	-
Dividends paid	-	-	-	(85)
Credit facility transaction costs	-	(2)	-	-
Total financing cash flow activities	(65)	9	(66)	(85)
Amortization of debt discounts and premiums	(4)	-	-	-
Amortization of debt related transaction costs	-	1	-	-
TSS membership liability revaluation charge	65	-	-	-
New leases, net of terminations and modifications	-	-	81	-
Dividends declared	-	-	-	85
Foreign exchange loss (gain)	5	-	1	(0)
Foreign currency translation differences from foreign operations	25	7	9	-
Total financing non-cash activities	91	8	92	85
Balance at December 31, 2020	\$ 534	\$ 227	\$ 275	\$ 21

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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 December 31, 2021 and December 31, 2020 in the financial statements are summarized below. The Company has no additional financial liabilities measured at fair value initially other than those recognized in connection with business combinations.

	December 31, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	\$ 39	\$ -	\$ -	\$ 39	\$ 9	\$ -	\$ -	\$ 9
	39	-	-	39	9	-	-	9
Liabilities:								
Redeemable preferred securities	\$ -	\$ -	\$ 7	\$ 7	\$ -	\$ -	\$ -	\$ -
Contingent consideration	-	-	104	104	-	-	88	88
	-	-	110	110	-	-	88	88

There were no transfers of fair value measurements between level 1, 2 and level 3 of the fair value hierarchy in the years ended December 31, 2021 and 2020.

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.

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Contingent Consideration

Balance at January 1, 2021	88
Increase from business acquisitions	30
Cash recoveries (payments)	(32)
Charges through profit or loss	21
Foreign exchange and other movements	(3)
Balance at December 31, 2021	104
Contingent consideration classified as current liabilities	31
Contingent consideration classified as other non-current liabilities	72

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 (7% to 11%). The estimated fair value increases as the annual growth rate increases and as the discount rate decreases and vice versa.

Redeemable Preferred Securities

Balance at January 1, 2021	\$ -
Issuance in relation to the acquisition of Topicus.com B.V.	136
Charges through profit or loss	295
Foreign exchange and other movements	5
Reclassification of Redeemable preferred securities to non-controlling interest	(434)
Accrued and unpaid dividends recorded upon re-classification to equity	5
Balance at December 31, 2021	7

Estimates of the fair value of the Redeemable Preferred Securities were performed by the Company on a quarterly basis up to the Notification of Conversion date. Key unobservable inputs include expected volatility and credit spread of the Topicus Preferred Shares. The estimated fair value increases as the expected volatility increases. The estimated fair value decreases as the credit spread increases. The key observable input is the subordinated voting share price of Topicus.com Inc. As the Topicus.com Inc. subordinate voting share price increases, the fair value of the Redeemable Preferred Securities increases. Subsequent to the Notification of Conversion, the principal portion of the redeemable preferred securities has been reclassified to equity (non-controlling interest).

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22. Revenue

The following tables provides information about unbilled revenue (contract asset) and deferred revenue (contract liability).

Unbilled Revenue:

	2021	2020
At January 1	\$ 102	\$ 112
Increase from business acquisitions	34	9
Decrease from transfers to accounts receivable	(409)	(327)
Increase from changes as a result of the measure of progress	427	303
Foreign exchange and other movements	(3)	4
At December 31	\$ 150	\$ 102
Unbilled revenue classified as a current asset	\$ 140	\$ 98
Unbilled revenue classified as a other non-current asset	10	4

Deferred Revenue:

	2021	2020
At January 1	\$ 1,005	\$ 828
Increase from business acquisitions	165	111
Decrease from revenue recognized that was included in the deferred revenue balance at the beginning of the period	(889)	(728)
Decrease from revenue recognized that arose from acquired deferred revenue balances in the current year	(97)	(69)
Increase due to cash received, excluding amounts recognized as revenue during the period	1,043	839
Foreign exchange and other movements	(18)	24
At December 31	\$ 1,209	\$ 1,005
Deferred revenue classified as a current liability	1,158	962
Deferred revenue classified as a other non-current liability	52	44

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The amount of revenue recognized in the year ended December 31, 2021 from performance obligations satisfied in previous periods was \$6 (December 31, 2020 - \$2).

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized ("contracted not yet recognized") and includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted not yet recognized revenue was approximately \$2,700 as of December 31, 2021, of which we expect to recognize an estimated 71% of the revenue over the next 12 months and the remainder thereafter.

Costs to obtain a contract with a customer:

The Company has capitalized and amortized incremental commission costs on a systematic basis, consistent with the pattern of transfer of the good(s) or service(s) to which the commission relates as the Company believes these costs are recoverable. The total capitalized commission costs as of December 31, 2021 is \$112 (December 31, 2020 - \$88). The amount of amortization expense for the year ended December 31, 2021 was \$16 (December 31, 2020 - \$16) and there was no impairment loss in relation to the costs capitalized.

23. Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's President to make decisions about resources to be allocated to the segment and assessing their performance.

The Company consists of six operating segments being, Volaris, Harris, Topicus, Vela, Jonas and Perseus. Each of the Company's operating segments operate essentially as mini Constellations, conglomerates of small vertical market software companies with similar economic characteristics. Each operating segment CEO is focused on investing capital that generates returns at or above the investment hurdle rates set by CSI's head office (primarily the President) and the Board of Directors, irrespective of whether the acquired business operates primarily in the public or private sector. The Company aggregates the six operating segments into one reportable segment, consistent with the objective and basic principles of IFRS 8.

Geographical information

The Company is managed on a worldwide basis, but operates in three principal geographical areas, Canada, USA, and UK/Europe.

In presenting the geographical information, revenue is based on the region in which the revenue is transacted, and intellectual property is located. Assets are based on the geographic locations of the assets.

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Year ended December 31, 2021		Canada		USA		UK/Europe		Other		Total
Revenue	\$	578	\$	2,037	\$	1,945	\$	546	\$	5,106
Non-current assets		584		1,284		1,688		375		3,931

Year ended December 31, 2020		Canada		USA		UK/Europe		Other		Total
Revenue	\$	493	\$	1,730	\$	1,363	\$	384	\$	3,969
Non-current assets		478		755		1,218		339		2,790

Major customers

No customer represents revenue in excess of 5% of total revenue in both the years ended December 31, 2021 and 2020.

24. 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. The Company 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, the Company 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.

25. Guarantees

- (a) In the ordinary course of business the Company and its subsidiaries have provided performance bonds, letters of credit issued that do not limit the borrowing capacity of the CSI Facility, and other guarantees for the completion of certain customer contracts and other contracts in the normal course of operations. The total obligations of the Company pursuant to such bonds and related contingencies total \$80 (2020 - \$95). No liability has been recorded in the consolidated financial statements.
- (b) As at December 31, 2021, in the normal course of business, the Company has outstanding letters of credit under the CSI Facility totalling \$79 (2020 - \$19) which limits the borrowing capacity of the CSI Facility on a dollar-for-dollar basis.
- (c) In the normal course of business, some of the Company's subsidiaries entered into lease agreements for facilities. As the joint lessees, the subsidiaries agree to indemnify the lessor for liabilities that may arise from the use of the leased facility. The maximum amount potentially payable under the foregoing indemnity cannot be reasonably estimated. The subsidiaries have liability insurance that relates to the indemnifications.

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- (d) The Company and its subsidiaries have provided routine indemnifications to some of its customers against liability if the Company's product infringes on a third party's intellectual property rights. The maximum exposure from the indemnifications cannot be reasonably estimated.

26. Changes in non-cash operating working capital

	Year ended	
	December 31,	
	2021	2020
Decrease (increase) in current accounts receivable	\$ (22)	\$ 21
Decrease (increase) in current unbilled revenue	(13)	24
Decrease (increase) in other current assets	(39)	(20)
Decrease (increase) in inventories	1	8
Decrease (increase) in other non-current assets	(16)	7
Increase (decrease) in other non-current liabilities	(0)	6
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	80	38
Increase (decrease) in current deferred revenue	55	36
Increase (decrease) in current provisions	(1)	(2)
Change in non-cash operating working capital	\$ 45	\$ 117

27. Related parties

Transactions with companies associated with key management personnel

The Company has entered into certain hosting agreements with companies that are affiliated with Robin van Poelje, the CEO of the Topicus Operating Group. For the year ended December 31, 2021, the Company expensed \$1 relating to these agreements, included within "Third party license, maintenance and professional services" expenses. The payable as at December 31, 2021 relating to these amounts was \$0 (included within "Accounts payable and accrued liabilities").

Key management personnel compensation

The key management personnel of the Company, inclusive of the operating segments, are the members of the Company's executive management team at the Company's operating segments and head office and Board of Directors.

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	Years ended December 31,	
	2021	2020
Salaries, bonus and employee benefits	\$ 16	\$ 9
Total	\$ 16	\$ 9

There were no significant post-employment benefits, other long-term benefits, or share-based payments attributed to the key management personnel in 2021 and 2020.

28. Non-controlling interests

The Company's non-controlling interests at December 31, 2021 were associated with Topicus, a company whose operations are based in the Netherlands. Prior to January 4, 2021, the Company reflected a 100% ownership interest in Topicus. However, as outlined in Note 1 and Note 4 to the consolidated financial statements, Constellation's equity interest in Topicus was reduced from 100% to 30.3% (69.7% being non-controlling interest) in 2021. The non-controlling interest in Topicus also comprises of the Topicus Coop Preference Units held by Ijssel B.V. which were reclassified from liabilities to non-controlling interest following the Notification of Conversion (note 12).

The following tables summarize the information relating to the Company's non-controlling interests in Topicus before and after intercompany eliminations:

	As at December 31, 2021	Intra-Group Eliminations	Total
Non-controlling interest	69.7%		
Current assets	228		
Non-current assets	938		
Total assets	1,166		
Current liabilities	452		
Non-current liabilities	311		
Total liabilities	763		
Less: Non-controlling interest of Topicus subsidiaries, including interests held by CSI	24		
Less: Preference units of Topicus Coop classified as non-controlling interest	432		
Net assets	(53)	90	37
Net assets allocated to the non-controlling interests of Topicus			26
Add: Non-controlling interest of Topicus Coop subsidiaries not owned by CSI			2
Add: Preference units of Topicus Coop classified as non-controlling interest			432
Total non-controlling interest			460

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	Year ended December 31, 2021	Intra-Group Eliminations	Total
Revenue	877		
Expenses	758		
Redeemable preferred securities expense (income) (notes 1 and 12)	2,737		
Income (loss) before income taxes	(2,617)		
Income tax expense	25		
Net income (loss) prior to non-controlling interest allocation	(2,643)		
Less: Non-controlling interest of Topicus subsidiaries, including interests held by CSI	2		
Less: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest	4		
Net income (loss) after allocation of non-controlling interest of Topicus subsidiaries and Preference Units	(2,648)	2,439	(209)
Net income (loss) attributable to non-controlling interests of Topicus			(146)
Add: Non-controlling interest of Topicus Coop subsidiaries not owned by CSI			0
Add: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest			4
Total non-controlling interest			(142)

Financial information on the statement of cash flows for Topicus is as follows:

	Year ended December 31, 2021
Cash flows from (used in) operating activities	212
Cash flows from (used in) in financing activities	66
Cash flows from (used in) investing activities	(254)

29. Subsequent events

On January 31, 2022, a dividend was paid in cash on the Topicus Preferred Shares and Topicus Coop Preference Units in the aggregate amount of EUR 67. EUR 40 was paid to CSI, EUR 20 was paid to the Joday Group and EUR 6 was paid to Ijssel B.V.

On February 1, 2022, the Topicus Preferred Shares (note 1) and Topicus Coop Preference Units (note 12) were converted to Topicus Subordinate Voting Shares and Topicus Coop Ordinary Units respectively. Subsequent to the conversion, CSI will continue to consolidate Topicus and reflect an equity interest of 60.65% in Topicus and a non-controlling interest of 39.35%.

On February 10, 2022, the Company declared a \$1.00 per share dividend payable on April 12, 2022 to all common shareholders of record at close of business on March 16, 2022.

Subsequent to December 31, 2021, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of \$130 on closing plus cash holdbacks of \$19 and contingent consideration with an estimated fair value of \$2 for total consideration of \$150. The business acquisitions include companies catering primarily to the communications, financial services, education, speech recognition, utilities, accounting, healthcare, real estate and brokers and horticulture verticals and are all software companies similar to the existing business of the Company.