

# **M<sup>e</sup>DIAGRIF**

Interim Condensed Consolidated Financial Statements  
for the three and nine months ended  
December 31, 2016, and 2015

(unaudited and not reviewed by independent auditors)

## Interim Condensed Consolidated Statements of Income

Unaudited and not reviewed by independent auditors

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<i>In thousands of Canadian dollars, except per share amounts</i>				
<b>Revenues (Note 5)</b>	<b>19,267</b>	18,541	<b>57,742</b>	54,203
<b>Cost of revenues</b>	<b>3,731</b>	3,396	<b>11,138</b>	10,437
<b>Gross margin</b>	<b>15,536</b>	15,145	<b>46,604</b>	43,766
<b>Operating expenses</b>				
General and administrative	<b>2,453</b>	2,186	<b>7,037</b>	6,636
Selling and marketing	<b>4,312</b>	3,814	<b>12,204</b>	11,332
Technology	<b>3,593</b>	2,526	<b>10,495</b>	7,945
	<b>10,358</b>	8,526	<b>29,736</b>	25,913
<b>Operating profit</b>	<b>5,178</b>	6,619	<b>16,868</b>	17,853
Other revenues (Note 11b))	<b>236</b>	392	<b>348</b>	1,008
Financial expenses (Note 11c))	<b>(293)</b>	(223)	<b>(759)</b>	(617)
Share of profit of a joint venture	<b>32</b>	29	<b>90</b>	141
<b>Profit before income taxes</b>	<b>5,153</b>	6,817	<b>16,547</b>	18,385
Income tax expense	<b>1,168</b>	1,966	<b>4,284</b>	5,025
<b>Profit for the period</b>	<b>3,985</b>	4,851	<b>12,263</b>	13,360
<b>Earnings per share</b>				
Basic and diluted	<b>0.27</b>	0.32	<b>0.82</b>	0.88
<b>Weighted average number of shares outstanding</b>				
Basic and diluted	<b>14,998,979</b>	15,011,039	<b>14,998,979</b>	15,187,166
<b>Number of shares outstanding at end of period</b>	<b>14,998,979</b>	14,998,979	<b>14,998,979</b>	14,998,979

## Interim Condensed Consolidated Statements of Comprehensive Income

*Unaudited and not reviewed by independent auditors*

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
<i>In thousands of Canadian dollars</i>	\$	\$	\$	\$
<b>Profit for the period</b>	<b>3,985</b>	4,851	<b>12,263</b>	13,360
Items that may be reclassified subsequently in profit or loss				
Change in unrealized losses on foreign currency forward contracts, net of deferred taxes	<b>(203)</b>	(407)	<b>(302)</b>	(924)
Reclassification of realized losses on foreign currency forward contracts, net of deferred taxes	<b>34</b>	361	<b>221</b>	887
	<b>(169)</b>	(46)	<b>(81)</b>	(37)
<b>Comprehensive income for the period</b>	<b>3,816</b>	4,805	<b>12,182</b>	13,323

# MEDIAGRIF

## Interim Condensed Consolidated Statements of Financial Position

*Unaudited and not reviewed by independent auditors*

	As at Dec. 31, 2016 \$	As at March 31, 2016 \$
<i>In thousands of Canadian dollars</i>		
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	11,504	10,901
Cash held for the benefit of third parties	683	1,011
Accounts receivable	7,017	5,927
Income taxes receivable	-	996
Tax credits receivable	5,252	5,128
Prepaid expenses and deposits	1,449	1,145
	<b>25,905</b>	<b>25,108</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,678	2,545
Intangible assets	4,254	3,617
Acquired intangible assets (Note 6)	65,015	57,238
Goodwill (Note 6)	107,047	100,280
Investment in a joint venture	340	250
Deferred taxes	5,126	5,091
	<b>210,365</b>	<b>194,129</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	7,296	8,220
Other accounts payable	1,530	1,706
Income taxes payable	842	716
Deferred revenues	16,773	16,774
Derivative financial instruments	180	69
Current portion of deferred lease inducement	133	143
	<b>26,754</b>	<b>27,628</b>
<b>Non-current liabilities</b>		
Long-term debt (Note 7)	35,041	26,311
Deferred lease inducement	780	781
Deferred taxes	16,303	15,604
	<b>78,878</b>	<b>70,324</b>
<b>Shareholders' equity</b>		
<b>Share capital (Note 8)</b>	<b>78,840</b>	<b>78,840</b>
<b>Reserves</b>	<b>3,083</b>	<b>3,164</b>
<b>Retained earnings</b>	<b>49,564</b>	<b>41,801</b>
	<b>131,487</b>	<b>123,805</b>
	<b>210,365</b>	<b>194,129</b>

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Unaudited and not reviewed by independent auditors

### Nine months ended December 31, 2016

<i>In thousands of Canadian dollars</i>	Share capital	Reserves			Retained earnings	Total
		Equity-settled employee benefits	Cash flow hedging	Total		
	\$	\$	\$	\$	\$	\$
Balance as at March 31, 2016	78,840	3,213	(49)	3,164	41,801	123,805
Profit for the period	-	-	-	-	12,263	12,263
Other comprehensive income for the period, net of income tax	-	-	(81)	(81)	-	(81)
Comprehensive income for the period	-	-	(81)	(81)	12,263	12,182
Dividends declared on common shares	-	-	-	-	(4,500)	(4,500)
<b>Balance as at December 31, 2016</b>	<b>78,840</b>	<b>3,213</b>	<b>(130)</b>	<b>3,083</b>	<b>49,564</b>	<b>131,487</b>

### Nine months ended December 31, 2015

<i>In thousands of Canadian dollars</i>	Share capital	Reserves			Retained earnings	Total
		Equity-settled employee benefits	Cash flow hedging	Total		
	\$	\$	\$	\$	\$	\$
Balance as at March 31, 2015	81,695	3,213	(1,046)	2,167	38,241	122,103
Profit for the period	-	-	-	-	13,360	13,360
Other comprehensive income for the period, net of income tax	-	-	(37)	(37)	-	(37)
Comprehensive income for the period	-	-	(37)	(37)	13,360	13,323
Repurchase of common shares for cancellation (Note 8)	(2,856)	-	-	-	(6,256)	(9,112)
Dividends declared on common shares	-	-	-	-	(4,516)	(4,516)
<b>Balance as at December 31, 2015</b>	<b>78,839</b>	<b>3,213</b>	<b>(1,083)</b>	<b>2,130</b>	<b>40,829</b>	<b>121,798</b>

## Interim Condensed Consolidated Statements of Cash Flows

Unaudited and not reviewed by independent auditors

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<i>In thousands of Canadian dollars</i>				
<b>Cash flows related to</b>				
<b>Operating activities</b>				
Profit for the period	3,985	4,851	12,263	13,360
Adjustments for the following items:				
Amortization and depreciation (Note 10)	1,912	1,392	5,464	4,139
Amortization of deferred lease inducement	(32)	(37)	(252)	(113)
Amortization of deferred financing costs	10	-	30	-
Interest expense	283	223	729	617
Foreign exchange	(361)	(265)	(485)	(670)
Share of profit of a joint venture	(32)	(29)	(90)	(141)
Deferred taxes	(26)	795	314	1,940
Loss (gain) on disposal of property, plant and equipment	-	-	171	(4)
Loss on disposal of intangible assets	-	61	-	61
Income tax expense recognized in profit	1,194	1,171	3,970	3,085
Changes in non-cash working capital items (Note 11 a))	(1,285)	89	(3,058)	(1,019)
Interest paid	(277)	(220)	(756)	(617)
Income taxes paid	(260)	(891)	(2,848)	(4,348)
	5,111	7,140	15,452	16,290
<b>Investing activities</b>				
Consideration transferred on business acquisition (Note 6)	-	-	(17,238)	-
Working capital adjustments related to a business acquisition (Note 6)	-	-	93	-
Acquisition of property, plant and equipment (Note 11a))	(313)	(503)	(877)	(854)
Acquisition of intangible assets	(517)	(419)	(1,714)	(1,770)
Distribution from a joint venture	-	-	-	500
Proceeds on disposal of property, plant and equipment	-	-	-	4
	(830)	(922)	(19,736)	(2,120)
<b>Financing activities</b>				
Increase of long-term debt	-	283	14,700	9,112
Repayment of long-term debt	(3,800)	(2,333)	(6,000)	(6,212)
Financing costs	-	(199)	-	(199)
Repurchase of share capital for cancellation (Note 8)	-	(283)	-	(9,112)
Cash dividends paid on common shares	(1,500)	(1,502)	(4,500)	(4,569)
	(5,300)	(4,034)	4,200	(10,980)
<b>Net change in cash and cash equivalents for the period</b>	<b>(1,019)</b>	<b>2,184</b>	<b>(84)</b>	<b>3,190</b>
<b>Impact of exchange rate changes on cash and cash equivalents</b>	<b>254</b>	<b>100</b>	<b>359</b>	<b>288</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>12,952</b>	<b>9,406</b>	<b>11,912</b>	<b>8,212</b>
<b>Cash and cash equivalents at end of period</b>	<b>12,187</b>	<b>11,690</b>	<b>12,187</b>	<b>11,690</b>
Cash and cash equivalents consist of the following statement of financial position items:				
Cash and cash equivalents	11,504	10,427	11,504	10,427
Cash held for the benefit of third parties	683	1,263	683	1,263

## Notes to the Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2016, and 2015

*Unaudited and not reviewed by independent auditors*

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### **1 Incorporation and nature of operations**

Mediagrif Interactive Technologies Inc. (the “Company”) provides e-business solutions to consumers and businesses. It operates its activities through its wholly-owned subsidiaries. The Company also owns interests in a joint venture.

The Company, incorporated on February 16, 1996, under the *Canada Business Corporations Act*, is listed on the Toronto Stock Exchange. Its head office is located to 1111 St-Charles West, East Tower, Suite 255, Longueuil, Quebec, Canada.

The Board of Directors approved the interim condensed consolidated financial statements on February 7, 2017. Amounts are expressed in Canadian dollars, unless indicated otherwise.

### **2 Statement of compliance**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*, through the application of accounting principles that are compliant with International Financial Reporting Standards (“IFRS”) and apply the same accounting policies as those described in the Company’s annual consolidated financial statements for the year ended March 31, 2016.

These interim condensed consolidated financial statements do not include all of the information required for complete financial statements under IFRS, including the notes, and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2016. The annual financial statements of the Company are available on the SEDAR website at the following address: [www.sedar.com](http://www.sedar.com) and on the Company website at the following address: [www.mediagrif.com](http://www.mediagrif.com)

## Notes to the Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2016, and 2015

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### 3 New and revised IFRS, issued but not yet effective

Standards and interpretation	Effective date for the Company	Presentation and impacts on the Company
IFRS 9, <i>Financial Instruments</i>	Annual period beginning on April 1, 2018	<p>On July 24, 2014, the IASB issued the final version of IFRS 9, <i>Financial Instruments</i>, which replaces IAS 39, <i>Financial Instruments: Recognition and Measurement</i>. This final version of IFRS 9 represents the completion of this project and it includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 does not address the specific accounting for open portfolios or macro hedging, as these items are part of a separate IASB project that is currently ongoing. This final standard introduces a single, principles-based approach that amends both the categories and associated criteria for the classification and measurement of financial assets, which is driven by the entity's business model for the portfolio in which the assets are held and the contractual cash flows of these financial assets. Certain amendments have been made to the financial asset classification and measurement principles in prior versions of IFRS 9. This standard introduces an amended hedging model which aligns hedge accounting more closely with an entity's risk management activities and also includes a new financial asset impairment model which has an expanded scope, is based on expected credit losses rather than incurred credit losses and generally will result in earlier recognition of losses. This new standard supersedes all prior versions of IFRS 9. The Company is currently evaluating the impacts of this new standard.</p>
IFRS 15, <i>Revenue from Contracts with Customers</i>	Annual period beginning on April 1, 2018	<p>IFRS 15, <i>Revenue from Contracts with Customers</i> establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company is currently evaluating the impacts of this new standard.</p>



**Notes to the Interim Condensed Consolidated Financial Statements  
for the three and nine months ended December 31, 2016, and 2015***Unaudited and not reviewed by independent auditors*

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<b>Standards and interpretation</b>	<b>Effective date for the Company</b>	<b>Presentation and impacts on the Company</b>
IFRS 16, <i>Leases</i>	Annual period beginning on April 1, 2019	On January 13, 2016, the IASB issued IFRS 16, <i>Leases</i> , which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, <i>Leases</i> and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low-value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 will be effective as of January 1, 2019 with earlier application permitted for companies that have also adopted IFRS 15, <i>Revenue from Contracts with Customers</i> . The Company has not yet examined the impacts of this new standard.

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## Notes to the Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2016, and 2015

*Unaudited and not reviewed by independent auditors*

### 4 Segment information

The Company has only one reportable segment.

Geographical information is as follows:

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
<i>In thousands of Canadian dollars</i>	\$	\$	\$	\$
<b>Revenues</b>				
Canada	11,669	11,577	35,809	33,976
United States	7,021	6,346	20,211	18,399
Europe	144	150	427	457
Asia and other	433	468	1,295	1,371
	<b>19,267</b>	18,541	<b>57,742</b>	54,203

  

	As at Dec. 31, As at March 31,	
	2016	2016
<i>In thousands of Canadian dollars</i>	\$	\$
<b>Non-current assets</b>		
Canada	154,421	139,090
United States	24,531	24,586
Asia and other	42	4
	<b>178,994</b>	163,680

Revenues are attributed to geographic areas based on the location of the customers.

Non-current assets include property, plant and equipment, intangible assets, acquired intangible assets and goodwill.

## Notes to the Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2016, and 2015

*Unaudited and not reviewed by independent auditors*

### 5 Revenues

Revenues are detailed as follows:

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
<i>In thousands of Canadian dollars</i>	\$	\$	\$	\$
Revenues from rights of use	<b>14,363</b>	13,574	<b>42,990</b>	40,141
Revenues from transaction fees	<b>2,032</b>	2,067	<b>6,151</b>	6,265
Revenues from advertising	<b>1,264</b>	1,742	<b>4,042</b>	4,289
Revenues from software development	<b>1,105</b>	546	<b>2,873</b>	1,688
Revenues from integration, maintenance and hosting	<b>385</b>	420	<b>1,211</b>	1,175
Other	<b>118</b>	192	<b>475</b>	645
	<b>19,267</b>	18,541	<b>57,742</b>	54,203

### 6 Business combination

#### Description of the business combination

On May 31, 2016, the Company acquired substantially all of the assets of Advanced Software Concepts, Inc., an entity based in Ottawa, Canada, (the "Acquisition") for a cash consideration of \$17,144,603 following a definitive working capital adjustment of \$1,355,397. The Acquisition was financed in its entirety by the Company's Revolving facility.

With this strategic Acquisition, the Company will be integrating contract management capabilities to its e-procurement platforms. This will allow the Company to participate in the fast growing e-procurement space. Moreover, the Company's expertise and financial strength will contribute to accelerate ASC Networks Inc. ("ASC") presence in the equally fast-growing contract lifecycle management segment. A solid profitability combined with high-potential synergies with the Company's e-commerce development and expertise were also determinant in this Acquisition.

## Notes to the Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2016, and 2015

*Unaudited and not reviewed by independent auditors*

### Assets acquired and liabilities assumed at the acquisition date

<i>In thousands of Canadian dollars</i>	<b>May 31, 2016</b>
	<b>\$</b>
<b>Assets</b>	
<b>Current assets</b>	
Accounts receivable	451
Prepaid expenses and deposits	102
	553
<b>Non-current assets</b>	
Acquired intangible assets	
Client base	5,130
Technology	6,220
Total	11,903
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	150
Deferred revenues	869
	1,019
<b>Non-current liabilities</b>	
Deferred taxes	506
Total	1,525
Identifiable net assets acquired	10,378

The purchase price allocation shown above is preliminary and based on management best estimates as at December 31, 2016. The final purchase price allocation is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation.

### Sources and uses of funds at the transaction closing date

<i>In thousands of Canadian dollars</i>	<b>May 31, 2016</b>
	<b>\$</b>
<b>Sources</b>	
Revolving facility (Note 7)	17,145
<b>Uses</b>	
Cash consideration transferred	18,500
Definitive working capital adjustment	(1,355)
	17,145

## Notes to the Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2016, and 2015

*Unaudited and not reviewed by independent auditors*

### Costs related to the Acquisition

The total Acquisition-related costs amounted to \$219,524, including \$110,000 recorded during the year ended March 31, 2016, and are included in General and administrative expenses in the Interim Condensed Consolidated Statements of Income.

### Determination of fair value

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at the acquisition-date fair value.

Accounts receivable, prepaid expenses and deposits and accounts payable and accrued liabilities arising from a business combination are recognized at their fair value, which is not substantially different from their gross contractual value and expected receipts and disbursements.

Deferred revenues from business combinations are recognized at fair value. This corresponds to the future costs to perform the services, the collection of which took place before the Acquisition, plus a profit margin. This profit margin is the average margin the Company realized for the delivery of the same kind of service.

The fair value of acquired intangible assets is determined as follows:

Acquired technology is evaluated using the replacement cost method. It estimates the cost to rebuild a platform by adding the estimated loss of profits during the reconstruction. The multiperiod excess earnings method is used to calculate the value of client base. The replacement cost method and the multiperiod excess earnings method are all primarily based upon expected discounted cash flows according to currently available information, such as historical and projected revenues, the probability of a renewal of each contract and certain other relevant assumptions.

Goodwill is measured as the excess of the total consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), over the net balance of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after remeasurement, the net balance of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the total consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously-held interest in the acquiree (if any), the excess amount is recognized immediately in profit or loss as a bargain purchase gain.

### Goodwill arising from the business combination

<i>In thousands of Canadian dollars</i>	<b>May 31, 2016</b>
	<b>\$</b>
Cash consideration transferred	17,145
Less:	
Fair value of net identifiable acquired assets	10,378
<b>Goodwill</b>	<b>6,767</b>

The goodwill recognized from this business combination is deductible for tax purposes. Goodwill of \$6,766,902 stems essentially from the synergies with other activities of the Company, the economic value of the expertise of the workforce acquired as well as intangible assets that do not meet the criteria for separate recognition.

**Notes to the Interim Condensed Consolidated Financial Statements  
for the three and nine months ended December 31, 2016, and 2015**

*Unaudited and not reviewed by independent auditors*

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**Impact of the business combinations on the Company's financial performance**

The Company's profit for the three months ended December 31, 2016, includes \$1,204,688 in revenues, including a negative adjustment on deferred revenues at closing of \$210,550 and a net loss of \$260,581, generated from ASC additional business. The Company's profit for the nine months ended December 31, 2016, includes \$2,831,994 in revenues, including a negative adjustment on deferred revenues at closing of \$602,739 and a net loss of \$572,110, generated from ASC additional business.

If this business combination had been completed on April 1, 2016, the Company's consolidated revenues for the nine months ended December 31, 2016, would have totalled \$58,429,181, including a negative adjustment on deferred revenues at the acquisition date of \$631,929. The consolidated profit for the nine months ended December 31, 2016, would have totalled \$12,019,381, including an additional amortization expense of \$337,000 and an additional adjustment on interests on long-term debt of \$59,436. The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a nine-month period. However, pro forma information does not account for synergies or changes to historical transactions and is not necessarily indicative of the profit of the Company if the Acquisition actually occurred on April 1, 2016, nor of the profit that may be achieved in the future.

To determine the Company's pro forma consolidated revenues and profit if ASC had been acquired on April 1, 2016, the Company calculated:

- amortization of other acquired intangible assets based on the fair value arising from initial recognition of the business combination rather than the carrying amounts recognized in the pre-Acquisition financial statements;
- revenues according to the fair value of deferred revenues at the acquisition date;
- the borrowing costs on the Company's net indebtedness after the business combination;
- an additional income tax recovery to reflect the pro forma adjustments described above.

**7 Long-term debt**

On December 18, 2015, the Company renewed its credit agreement, which was entered into on November 10, 2011, (the "Credit Agreement"), with three Canadian financial institutions pursuant to which lenders made available to the Company a \$80,000,000 (\$80,000,000 as at March 31, 2016) secured revolving five-year credit facility (the "Revolving Facility") and an accordion loan of \$40,000,000 (\$40,000,000 as at March 31, 2016) subject to lenders' acceptance.

The Revolving Facility expires on December 18, 2020, and any outstanding amounts are due in full at maturity. Amounts under the Credit Agreement are repayable before maturity without penalty. As at December 31, 2016, the Company's Revolving Facility stood at \$35,200,000 (\$26,500,000 as at March 31, 2016) and the amount is due in full during the fiscal year ending March 31, 2021.

The Revolving Facility bears interest at a rate based either on Canadian prime rate, LIBOR or bankers' acceptance rate plus a margin in each case. This margin varies according to the ratio of total debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"), as described below. As at December 31, 2016, the actual rate was 0.94% (0.88% as at March 31, 2016) and the margin was 1.45% (1.20% as at March 31, 2016). In addition, the unused portion of the Revolving Facility bears interest at 0.29% (0.24% as at March 31, 2016) as standby fees.

## Notes to the Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2016, and 2015

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All obligations under the Credit Agreement are secured by a first-rank security (hypothec) on substantially all of the Company's assets, tangible and intangible, present and future.

The Credit Agreement contains certain covenants and certain events of default customary for loans of this nature, including some limitations to the levels of investments and acquisitions, capital expenditures and distributions. The Credit Agreement is also subject to restrictive covenants requiring certain financial ratios to be maintained. As at December 31, 2016, the Company was in compliance with the financial ratios prescribed under these covenants:

1. a fixed charge coverage ratio of not less than 1.20:1.00 (1.20:1.00 as at March 31, 2016) at all times; and
2. a total debt to EBITDA ratio of not more than 3.5 (3.0 as at March 31, 2016).

Fixed charge, total debt and EBITDA, which are used in the calculation of the covenants mentioned above, are defined precisely in the Credit Agreement.

Financial ratios are calculated using the financial information of the twelve-month period ending on the date the ratio is calculated.

The following table provides the long-term debt information:

<i>In thousands of Canadian dollars</i>	As at Dec. 31, 2016	As at March 31, 2016
	\$	\$
Revolving credit facility, bearing interest at the bankers' acceptance rate, plus 1.45% (1.20% as at March 31, 2016), maturing in December 2020	<b>35,200</b>	26,500
Deferred financing costs i)	<b>(159)</b>	(189)
	<b>35,041</b>	26,311

i) The deferred financing costs are amortized using the effective interest rate method.

### 8 Share capital

- a) Authorized and paid, unlimited number
  - Common shares.
  - Preferred shares, issuable in series with terms, conditions and dividends to be determined by the Board of Directors upon issuance.
- b) The following table summarizes common share activity:

<i>In thousands</i>	Nine months ended December 31,			
	2016		2015	
	Shares	\$	Shares	\$
<b>Balance at beginning of period</b>	<b>14,999</b>	78,840	<b>15,542</b>	81,695
Repurchased for cancellation i)	-	-	<b>(543)</b>	(2,856)
<b>Balance at end of period</b>	<b>14,999</b>	78,840	<b>14,999</b>	78,839

**Notes to the Interim Condensed Consolidated Financial Statements  
for the three and nine months ended December 31, 2016, and 2015**

*Unaudited and not reviewed by independent auditors*

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- i) During the nine months ended December 31, 2016, there was no transaction related to common shares. During the nine months ended December 31, 2015, the Company repurchased for cancellation 543,276 of its common shares for a cash consideration of \$9,112,261 in connection with its Normal Course Issuer Bid. An average issue price of \$5.26 per share before repurchase was recorded as a deduction from Share capital in a total amount of \$2,855,613 and the balance was charged to Retained earnings.
- c) Dividends declared

**Nine months ended December 31, 2016**

Subsequent to the period ended December 31, 2016, i.e. on February 7, 2017, the Company announced the payment of a cash dividend of \$0.10 per share, payable on April 17, 2017, to shareholders of record on April 3, 2017.

On November 8, 2016, the Company announced the payment of a cash dividend of \$0.10 per share, payable on January 16, 2017, to shareholders of record on January 3, 2017.

On August 3, 2016, the Company announced the payment of a cash dividend of \$0.10 per share, payable on October 17, 2016, to shareholders of record on October 3, 2016.

On June 7, 2016, the Company announced the payment of a cash dividend of \$0.10 per share, payable on July 15, 2016, to shareholders of record on July 4, 2016.

**Nine months ended December 31, 2015**

On November 10, 2015, the Company announced the payment of a cash dividend of \$0.10 per share, payable on January 15, 2016, to shareholders of record on January 4, 2016.

On August 4, 2015, the Company announced the payment of a cash dividend of \$0.10 per share, payable on October 15, 2015, to shareholders of record on October 1, 2015.

On June 9, 2015, the Company announced the payment of a cash dividend of \$0.10 per share, payable on July 15, 2015, to shareholders of record on July 2, 2015.

**9 Stock purchase plan**

In July 2004, the Company established a stock purchase plan. Certain amendments to the plan have subsequently been adopted and are in effect on the date hereof for all regular full-time and part-time employees who are Canadian residents. Directors are not eligible to participate in this plan. Under the terms of the plan, employees may elect to contribute, through payroll deductions, up to 10% of their annual income up to a maximum of \$20,000 annually to purchase common shares in the Company on the open market. Under the plan, the Company matches employee contributions to the plan up to a maximum contribution of \$1,600 per employee (\$1,400 in 2015). Employees must hold the portion of shares purchased with the Company's contribution for a period of 12 months. The purchase price of shares under the plan is equal to the market price of the Company's common shares on the purchase date.



## Notes to the Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2016, and 2015

*Unaudited and not reviewed by independent auditors*

### 10 Expenses by type

Operating profit includes the following items:

	Three months ended December 31,		Nine months ended December 31,	
	2016 \$	2015 \$	2016 \$	2015 \$
<i>In thousands of Canadian dollars</i>				
<b>Amortization and depreciation</b>				
Property, plant and equipment	257	245	814	767
Intangible assets	387	272	1,077	722
Acquired intangible assets	1,268	875	3,573	2,650
<b>Total</b>	<b>1,912</b>	<b>1,392</b>	<b>5,464</b>	<b>4,139</b>
<b>Employee benefits expense</b>				
Salaries and employee benefits	8,911	7,703	25,770	22,587
Termination benefits	22	-	103	282
	<b>8,933</b>	<b>7,703</b>	<b>25,873</b>	<b>22,869</b>
Tax credits	(1,149)	(1,053)	(2,574)	(2,372)
<b>Total</b>	<b>7,784</b>	<b>6,650</b>	<b>23,299</b>	<b>20,497</b>

During the nine months ended December 31, 2016, the Company changed the comparative figures in employee benefits expense in order to conform to the current year's presentation.

## Notes to the Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2016, and 2015

*Unaudited and not reviewed by independent auditors*

### 11 Supplementary statements of cash flow and statements of income information

a) Changes in non-cash working capital items are as follows:

<i>In thousands of Canadian dollars</i>	Three months ended December 31,		Nine months ended December 31,	
	2016 \$	2015 \$	2016 \$	2015 \$
Decrease (increase) in				
Accounts receivable	(1,039)	(2,083)	(639)	(1,744)
Tax credits receivable	(526)	172	(124)	(729)
Prepaid expenses and deposits	(101)	8	(175)	(278)
Increase (decrease) in				
Accounts payable and accrued liabilities	968	681	(1,074)	(33)
Other accounts payable	(288)	1,909	(176)	2,274
Deferred revenues	(299)	(598)	(870)	(509)
<b>Total</b>	(1,285)	89	(3,058)	(1,019)

During the nine months ended December 31, 2016, the Company made non-cash acquisitions of property, plant and equipment for an amount of \$240,824.

b) Other revenues (expenses) consists of the following:

<i>In thousands of Canadian dollars</i>	Three months ended December 31,		Nine months ended December 31,	
	2016 \$	2015 \$	2016 \$	2015 \$
Foreign exchange gain	236	453	519	1,065
Other expenses	-	(61)	(171)	(57)
<b>Total</b>	236	392	348	1,008

c) Financial expenses consist of the following:

<i>In thousands of Canadian dollars</i>	Three months ended December 31,		Nine months ended December 31,	
	2016 \$	2015 \$	2016 \$	2015 \$
Amortization of deferred financing costs	10	-	30	-
Interest on long-term debt	283	223	729	617
<b>Total</b>	293	223	759	617

**Notes to the Interim Condensed Consolidated Financial Statements  
for the three and nine months ended December 31, 2016, and 2015**

*Unaudited and not reviewed by independent auditors*

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**12 Related party transactions**

During the three months ended December 31, 2016, the Company recorded revenues of \$384,743 (\$401,782 in 2015) from transactions with Société d'investissement M-S S.E.C "GWS", a 50%-joint venture owned by the Company. During the nine-month period ended December 31, 2016, the Company recorded revenues of \$1,255,921 (\$1,236,234 in 2015) from transactions with GWS.

In addition, during the three months ended December 31, 2016, the Company recharged to GWS operating expenses in the amount of \$79,999 (\$65,858 in 2015) whereas this recharge was \$329,731 (\$138,911 in 2015) for the nine months ended on December 31, 2016. These recharges were presented against operating expenses in the interim condensed consolidated statement of income. As at December 31, 2016, the Company has \$51,607 of accounts receivable from GWS (\$143,816 as at March 31, 2016).

In addition, during the nine months ended December 31, 2015, the Company received a capital distribution of \$500,000 from GWS.

These transactions occurred in the normal course of business and were measured at the amount of consideration agreed to by the parties.