MEDIAGRIF

Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2019 and 2018

(Unaudited and not reviewed by independent auditors)

MEDIAGRIF

Interim Condensed Consolidated Statements of Income

Unaudited and not reviewed by independent auditors

	Three months ended December 31,		Nine months ended December 31,	
In thousands of Canadian dollars, except earnings per share amounts	**2019** $	**2018** $	**2019** $	**2018** $
Revenues (Note 8)	18,072	20,884	56,511	62,273
Cost of revenues (Note 14)	5,344	5,474	15,355	15,358
Gross margin	12,728	15,410	41,156	46,915
Operating expenses				
General and administrative	4,096	2,958	9,849	8,448
Selling and marketing	4,120	4,019	12,241	12,660
Technology (Note 14)	6,265	5,007	16,297	14,326
	14,481	11,984	38,387	35,434
Operating profit (loss)	(1,753)	3,426	2,769	11,481
Gain (loss) on foreign exchange	(316)	825	(400)	885
Gain (loss) on sale of a subsidiary (Note 6)	-	-	(83)	-
Financial expenses (Note 13b))	(312)	(321)	(905)	(879)
Share in profit of a joint venture	-	-	-	(6)
Profit (loss) before income taxes	(2,381)	3,930	1,381	11,481
Income tax expense (recovery)	(502)	1,039	375	2,980
Profit (loss) for the period	(1,879)	2,891	1,006	8,501

Earnings (loss) per share				
Basic and diluted	(0.13)	0.19	0.07	0.57
Weighted average number of shares outstanding				
Basic and diluted	14,912,768	14,848,779	14,870,186	14,848,779
Number of shares outstanding at end of period	15,051,779	14,848,779	15,051,779	14,848,779

MEDIAGRIF

Interim Condensed Consolidated Statements of Comprehensive Income

Unaudited and not reviewed by independent auditors

In thousands of Canadian dollars	Three months ended December 31, 2019 $	Three months ended December 31, 2018 $	Nine months ended December 31, 2019 $	Nine months ended December 31, 2018 $
Profit (loss) for the period	(1,879)	2,891	1,006	8,501
Items that may be reclassified subsequently in profit or loss				
Change in unrealized gains (losses) on foreign currency forward contracts, net of deferred taxes	196	(603)	248	(663)
Reclassification of realized losses (gains) on foreign currency forward contracts, net of deferred taxes	37	(7)	183	2
	233	(610)	431	(661)
Comprehensive income (loss) for the period	(1,646)	2,281	1,437	7,840

MEDIAGRIF

Interim Condensed Consolidated Statements of Financial Position

Unaudited and not reviewed by independent auditors

In thousands of Canadian dollars	As at Dec. 31, 2019 $	As at March 31, 2019 $
Assets		
Current assets		
Cash and cash equivalents	12,411	13,339
Cash held for the benefit of third parties	410	826
Accounts receivable	5,788	7,282
Income taxes receivable	1,248	253
Tax credits receivable	6,010	4,964
Prepaid expenses and deposits	3,148	2,417
Derivative financial instruments	164	-
Balance of sale receivable (Note 6)	1,000	-
Assets held for sale (Note 9)	8,579	28,805
	38,758	57,886
Non-current assets		
Property, plant and equipment	2,476	1,997
Right-of-use assets (Note 4)	10,236	-
Intangible assets	7,231	6,264
Acquired intangible assets	14,883	7,344
Goodwill	96,240	90,149
Deferred taxes	3,302	5,276
	173,126	168,916
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	8,832	10,927
Other accounts payable	410	2,114
Income taxes payable	-	646
Deferred revenues	13,930	14,727
Derivative financial instruments	-	424
Current portion of long-term debt (Note 10)	28,015	
Current portion of deferred lease inducement (Note 4)	-	136
Current portion of lease liability (Note 4)	1,582	-
Liabilities held for sale (Note 9)	2,110	4,132
	54,879	33,106
Non-current liabilities		
Long-term debt (Note 10)	-	24,935
Deferred lease inducement (Note 4)	-	475
Deferred taxes	8,563	9,696
Lease liability (Note 4)	9,313	-
	72,755	68,212
Shareholders' equity		
Share capital (Note 11)	79,251	78,051
Reserves	3,334	2,903
Retained earnings	17,786	19,750
	100,371	100,704
	173,126	168,916

Nine months ended December 31, 2019

In thousands of Canadian dollars	Share capital	Reserves: Equity-settled employee benefits	Reserves: Cash flow hedging	Reserves: Total	Retained earnings	Total
	$	$	$	$	$	$
Balance as at March 31, 2019	78,051	3,213	(310)	2,903	19,750	100,704
Profit for the period	-	-	-	-	1,006	1,006
Other comprehensive income for the period, net of income taxes	-	-	431	431		431
Comprehensive income for the period	-	-	431	431	1,006	1,437
Issuance of common shares (Notes 5 and 11)	1,200	-	-	-		1,200
Dividends declared on common shares	-	-	-	-	(2,970)	(2,970)
Balance as at December 31, 2019	79,251	3,213	121	3,334	17,786	100,371

Nine months ended December 31, 2018

In thousands of Canadian dollars	Share capital	Reserves: Equity-settled employee benefits	Reserves: Cash flow hedging	Reserves: Total	Retained earnings	Total
	$	$	$	$	$	$
Balance as at March 31, 2018	78,051	3,213	(42)	3,171	51,331	132,553
Profit for the period	-	-	-	-	8,501	8,501
Other comprehensive income for the period, net of income taxes	-	-	(661)	(661)	-	(661)
Comprehensive income for the period	-	-	(661)	(661)	8,501	7,840
Dividends declared on common shares	-	-	-	-	(4,455)	(4,455)
Balance as at December 31, 2018	78,051	3,213	(703)	2,510	55,377	135,938

Interim Condensed Consolidated Statements of Cash Flows

Unaudited and not reviewed by independent auditors

In thousands of Canadian dollars	Three months ended December 31, 2019 $	Three months ended December 31, 2018 $	Nine months ended December 31, 2019 $	Nine months ended December 31, 2018 $
Cash flows related to				
Operating activities				
Profit (loss) for the period	(1,879)	2,891	1,006	8 501
Adjustments for the following items:				
Amortization and depreciation (Note 12)	1,912	1,897	5,274	5,787
Amortization of deferred lease inducement	-	(32)	-	(99)
Amortization of deferred financing costs	10	10	29	30
Interest expense	302	311	876	849
Foreign exchange	297	(761)	385	(832)
Share in profit of a joint venture	-	-	-	6
Deferred tax expense	(666)	252	(946)	402
Current income tax expense	164	787	1,321	2,578
Loss (gain) on disposal of a subsidiary	-	-	83	-
Changes in non-cash working capital items (Note 13a))	(596)	(2,386)	(4,371)	(5,714)
Interest paid	(347)	(316)	(877)	(861)
Income taxes received	458	730	458	730
Income taxes paid	(809)	(809)	(2,760)	(3,707)
	(1,154)	2,574	478	7,670
Investing activities				
Proceeds on sale of a subsidiary (Note 6)	-	-	17,950	-
Receipt of a working capital adjustment (Note 6)	-	-	484	-
Business combination (Note 5)	(8,024)		(8,024)	
Acquisition of property, plant and equipment	(259)	(231)	(446)	(712)
Acquisition of intangible assets	(794)	(925)	(2,566)	(2,755)
Distribution from a joint venture	-	-	-	436
	(9,077)	(1,156)	7,398	(3,031)
Financing activities				
Increase in long-term debt	14,474		14,474	
Repayment of long-term debt	(3,628)	(999)	(17,827)	(1,200)
Payment of lease liability	(374)	-	(1,074)	-
Cash dividends paid on common shares	(1,485)	(1,485)	(4,455)	(4,455)
	8,987	(2,484)	(8,882)	(5,655)
Net change in cash and cash equivalents for the period	(1,244)	(1,066)	(1,006)	(1,016)
Impact of exchange rate changes on cash and cash equivalents	(230)	582	(338)	622
Cash and cash equivalents at beginning of period	14,295	14,651	14,165	14,561
Cash and cash equivalents at end of period	12,821	14,167	12,821	14,167
Cash and cash equivalents consist of the following statement of financial position items:				
Cash and cash equivalents	12,411	12,695	12,411	12,695
Cash held for the benefit of third parties	410	1,472	410	1,472

1 Incorporation and nature of operations

Mediagrif Interactive Technologies Inc. (the "Corporation") provides e-business solutions to consumers and businesses. It operates its activities through its wholly-owned subsidiaries. The Corporation also owned interests in a joint venture until July 27, 2018 (Note 15).

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

The Board of Directors approved the interim condensed consolidated financial statements on February 11, 2020. 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).

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 Corporation for the year ended March 31, 2019. The annual financial statements of the Corporation are available on SEDAR at www.sedar.com and on the Corporation's website at www.mediagrif.com.

3 Management's estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the year and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. For information on the main assumptions and estimates used in these interim condensed consolidated financial statements, see Note 5 to the annual consolidated financial statements for the year ended March 31, 2019. In addition, these interim condensed consolidated financial statements include the following main assumptions and estimates:

Measurement of right-of-use assets and lease liabilities

Future lease payments used to calculate the value of the right-of-use asset and lease liability include payments for extension, termination or purchase options that are reasonably certain to be exercised. Determining the economic benefit of exercising these options requires the use of assumptions and estimates such as the expected use of the leased asset and future market conditions. The inclusion of payments relating to the extension, termination or purchase options can have a significant impact on the value of the right-of-use asset and the lease liability.

4 IFRS adopted during the current fiscal year

On April 1, 2019, the Corporation adopted IFRS 16, which applies to fiscal years beginning on or after January 1, 2019. The Corporation has retrospectively applied IFRS 16, recognizing the cumulative effect of initial application at the date of initial application without restatement of comparative figures as at March 31, 2019.

IFRS 16 replaces the following standards: IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lease accounting model for lessees whereby all lease agreements are recognized in the Consolidated Statement of Financial Position through a right-of-use asset and a lease liability. Exemptions are permitted for short-term leases and leases for which the underlying asset is of low value.

For leases previously classified as operating leases, the Corporation recognized a lease liability measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at April 1, 2019, as well as a right-of-use asset for a corresponding value less the deferred lease inducement. In the Consolidated Statement of Income, rent expense is replaced by depreciation of the right-of-use asset and by interest on the lease liability calculated using the effective interest rate method.

As part of the transition to IFRS 16, the Corporation applied the following practical expedients:

- The Corporation applied a single discount rate to a portfolio of leases with similar characteristics; and

- The Corporation accounted for leases with a term of 12 months or less at the date of initial application as short-term leases by recognizing the rent payments in profit or loss on a straight-line basis over the lease term.

The retrospective application of IFRS 16 had the following impact on the comparative information presented in these interim condensed consolidated financial statements of the Corporation:

In thousands of Canadian dollars	**As at March 31, 2019 $**	**Restatement**	**As at April 1, 2019 $**
Consolidated Statement of Financial Position			
Right-of-use asset	-	9,775	9,775
Deferred lease inducement (current liabilities)	136	(136)	-
Deferred lease inducement (non-current liabilities)	475	(475)	-
Lease liability (current liabilities) [i]	-	1,261	1,261
Lease liability (non-current liabilities) [i]	-	9,122	9,122

[i] The weighted average incremental borrowing rate applied to the lease liabilities recognized in the Consolidated Statement of Financial Position as at April 1, 2019 is 3.55%.

The reconciliation of the operating lease commitments disclosed in accordance with IAS 17 as at March 31, 2019 and the lease liability recognized as at April 1, 2019 in accordance with IFRS 16 is as follows:

In thousands of Canadian dollars	**As at April 1, 2019 $**
Future minimum operating lease payments as at March 31, 2019	5,841
Practical expedient for leases with a term of 12 months or less as at April 1, 2019	(186)
Impact of discounting at the incremental borrowing rate	(1,307)
Options to extend the leases that are reasonably certain to be exercised	6,035
	10,383

The accounting methods applied since April 1, 2019 are as follows:

Leases – The Corporation as lessee

At inception of a contract, the Corporation assesses whether the contract is, or contains, a lease. A contract is, or contains a lease if it conveys the right to control the use of an identified asset.

All leases are recognized in the Consolidated Statement of Financial Position through the recognition of a right-of-use asset and a lease liability, except for leases with a term of 12 months or less and leases for which the underlying asset is of low value, which are recognized in profit or loss on a straight-line basis over the lease term.

The right-of-use asset is reported on the Consolidated Statement of Financial Position and is measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated over the lease term or the estimated useful life, whichever is shorter.

The lease liability is reported on the Consolidated Statement of Financial Position and is measured at the amortized cost using the effective rate method. It is initially measured at the present value of future lease payments using the implicit rate of the lease, if it can be readily determined, or the Corporation's incremental borrowing rate. Future lease payments include fixed payments, variable payments that depend on an index or rate, and payments for extension, termination or purchase options that are reasonably certain to be exercised. When lease payments include amounts relating to non-rental components, they are included in the calculation of the lease liability.

5 Business combination

Description of the business combination

On December 3, 2019, the Corporation acquired 100% of the shares of KCentric Technologies Inc. ("k-eCommerce"), a leading provider of integrated e-commerce and payment solutions, for a cash consideration of $8,023,742, as well as 203,000 common shares of the Corporation, subject to subsequent adjustments related to working capital and long-term debt. Liabilities were also assumed at the date of acquisition, and they were repaid immediately after the transaction closed. The acquisition was financed in its entirety by the Corporation's revolving credit facility.

With this strategic acquisition, the Corporation will be able to significantly increase its offering in the fast-growing e-commerce market. In addition, the Corporation's expertise and financial strength will enhance k-eCommerce's ability to invest in the technological change and explore new marketing opportunities. The potential synergies in sales and marketing and the Corporation's e-commerce development and expertise were also determining factors in this acquisition.

Assets acquired and liabilities assumed at the acquisition date

In thousands of Canadian dollars	**Preliminary allocation $**
Assets	
Current assets	
Accounts receivable	602
Tax credits receivable	1,965
Prepaid expenses and deposits	195
	2,762
Non-current assets	
Property, plant and equipment	719
Right-of-use assets	844
Acquired intangible assets	
Client bases	4,270
Technology	5,150
Total	13,745
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	960
Deferred revenues	801
Current portion of long-term debt [(1)]	6,201
Lease liability	181
	8,143
Non-current liabilities	
Long-term debt	202
Deferred taxes	1,627
Lease liability	663
Total	10,635
Identifiable net assets acquired	3,110
Goodwill	6,092
Consideration transferred	9,202

(1) Immediately following closing of the transaction, the Corporation repaid the current portion of long-term debt.

The purchase price allocation shown above is preliminary and based on management's best estimates as at December 31, 2019. The final purchase price allocation is expected to be completed as soon as management has gathered all of the information available and considered necessary in order to finalize this allocation.

Consideration transferred

In thousands of Canadian dollars	**$**
Cash consideration transferred	8,024
Common shares issued (203,000)	1,200
Preliminary working capital adjustment	(22)
	9,202

The fair value of the 203,000 common shares issued was determined based on the share price on the acquisition date.

As part of the acquisition, an additional consideration of $891,527 has been placed in escrow and will be paid if certain employees are still employed by the Corporation 24 months after the closing of the transaction. The consideration has not been included in the consideration transferred, as it represents compensation for future services; it will therefore be recognized in profit or loss during the 24-month period.

Acquisition-related costs

The costs related to the acquisition amounted to $296,507, and they were included in General and administrative expenses in the Interim Condensed Consolidated Statements of Income.

Determination of fair value

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

Accounts receivable, tax credits receivable, prepaid expenses and deposits and accounts payable and accrued liabilities arising from a business combination are recognized at 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 Corporation realizes for the delivery of the same kind of service.

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

The acquired technology is valued at fair value using the relief from royalty method. The multi-period excess earnings method is used to calculate the value of customer relationships. The relief from royalty method and the multi-period excess earnings method are primarily based upon expected discounted cash flows according to currently available information, such as historical and projected revenues and expenses, the probability of 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.

Goodwill arising from the business combination

The goodwill recognized from this business combination is not deductible for tax purposes. The goodwill of $6,091,807 stems essentially from synergies with other activities of the Corporation, the economic value of the expertise of the workforce acquired, as well as intangible assets that do not meet the criteria for separate recognition.

Impact of the business combination on the Corporation's financial performance

The Corporation's income statement for the three months ended December 31, 2019 includes $446,324 in revenues, including a negative fair value adjustment on deferred revenues at closing of $126,480 and a net loss of $197,809, generated from k-eCommerce's additional business.

If this business combination had been completed on April 1, 2019, the Corporation's consolidated revenues for the nine months ended December 31, 2019, would have totalled $60,934,127, including a negative adjustment for the fair value of deferred revenues at the acquisition date of $641,640. The consolidated net loss for the nine months ended December 31, 2019 would have amounted to $1,323,807, including the negative adjustment to the fair value of deferred revenues of $641,640, as well as an additional amortization expense of $628,000 related to acquired intangible assets. The Corporation considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a period of nine months. However, pro forma information does not account for synergies or historical transactions and is not necessarily indicative of the profit of the Corporation if the acquisition had actually occurred on April 1, 2019, or of the profit that may be achieved in the future.

To determine the Corporation's pro forma consolidated revenues and profit if k-eCommerce had been acquired on April 1, 2019, the Corporation calculated:

- the amortization of 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;
- the revenues according to the fair value of deferred revenues at the acquisition date;
- the borrowing costs on the Corporation's net indebtedness after the business combination; and
- an additional income tax recovery to reflect the pro forma adjustments described above.

6 Disposal of a subsidiary

On June 11, 2019, the Corporation announced the sale of its subsidiary Réseau LesPac Inc. to Trader Corporation for a total cash consideration of $19,134,079, net of transaction fees of $300,000 and including a working capital adjustment of $484,079, which was received during the three months ended September 30, 2019. As at December 31, 2019, there was a $1,000,000 balance of sale receivable. The carrying value of the net assets disposed of on June 11, 2019 was $19,216,947, resulting in a loss on disposal of $82,868 recorded in the Interim Condensed Consolidated Statement of Income.

The carrying value of assets and liabilities disposed are summarized as follows:

In thousands of Canadian dollars	**As at June 11, 2019 $**
Current assets	1,287
Intangible assets	439
Acquired intangible assets	13,819
Deferred taxes	4,364
Current liabilities	(692)
	19,217

7 Segment information

The Corporation has only one reportable segment.

Geographical information is as follows:

	Three months ended December 31,		**Nine months ended December 31,**	
In thousands of Canadian dollars	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Revenues				
Canada	8,861	11,688	28,660	34,515
United States	8,467	8,350	25,536	25,393
Europe	348	334	1,117	917
Asia and other	396	512	1,198	1,448
	18,072	20,884	56,511	62,273

In thousands of Canadian dollars	**As at Dec. 31, 2019 2019 $**	**As at March 31, 2019 2019 $**
Non-current assets		
Canada	102,623	81,352
United States	28,443	24,396
Asia and other	-	6
	131,066	105,754

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

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

8 Revenues

Revenues are detailed as follows:

In thousands of Canadian dollars	Three months ended December 31, 2019 $	2018 $	Nine months ended December 31, 2019 $	2018 $
Revenues from rights of use	13,507	14,961	41,799	45,002
Revenues from transaction fees	2,281	2,414	6,899	7,226
Revenues from advertising	128	1,037	1,028	3,282
Revenues from professional services	1,806	1,710	5,631	5,159
Revenues from maintenance and hosting	274	332	871	956
Other	76	430	283	648
	18,072	20,884	56,511	62,273

9 Assets held for sale

On March 26, 2019, the Corporation's Board of Directors decided to dispose of the LesPAC, Jobboom, and Réseau Contact cash-generating units and subsequently entered into negotiations with interested parties. The disposal of these assets is consistent with the Corporation's long-term strategy of focusing on commercial clients. As described at Note 6, LesPac was disposed of on June 11, 2019. The operations of Jobboom and Réseau Contact have been designated as a "disposal group held for sale" and are presented separately in the Interim Condensed Consolidated Statement of Financial Position at the lower of fair value less costs of disposal and their carrying amounts.

The following tables summarize the carrying amounts of the assets and liabilities classified as held for sale:

In thousands of Canadian dollars	December 31, 2019 $
Class of asset	
Accounts receivable	623
Income taxes receivable	424
Prepaid expenses and deposits	4
Tax credits	252
Intangible assets	55
Acquired intangible assets	7,221
Total assets held for sale	8,579

In thousands of Canadian dollars	**December 31, 2019** **$**
Class of liability	
Accounts payable and accrued liabilities	176
Deferred revenues	1,934
Total liabilities held for sale	2,110

10 Long-term debt

The Corporation's credit agreement, which was concluded on November 10, 2011 and was subsequently renewed on December 18, 2015 (the "Credit Agreement") with three Canadian financial institutions provides a $80 000 000 ($80 000 000 as at March 31, 2019) secured revolving five-year credit facility (the "Credit Facility") and an accordion loan of $40 000 000 ($40 000 000 as at March 31, 2019) subject to lenders' acceptance.

The Credit 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, 2019, the Corporation's Credit Facility stood at $28,015,078 ($25,004,359 as at March 31, 2019) and the amount is due in full during the fiscal year ending March 31, 2021.

The Credit Facility bears interest at a rate based either on the Canadian prime rate, LIBOR or the 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, 2019, the actual rate was 2.07% (1.97% as at March 31, 2019) and the applicable margin was 1.20% (1.45% as at March 31, 2019). In addition, the unused portion of the Credit Facility bears interest at 0.24% (0.29% as at March 31, 2019) as standby fees.

All obligations under the Credit Agreement are secured by a first-rank security (hypothec) on substantially all of the Corporation'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, 2019, the Corporation 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, 2019) at all times; and
2. a total debt to EBITDA ratio of not more than 3.5 (3.0 as at March 31, 2019).

Fixed charges, total debt and EBITDA, which are used in the calculation of the covenants mentioned above, are explicitly defined 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.

As at December 31, 2019, given that the credit facility will mature within the next 12 months, the amount outstanding is presented in current liabilities in the Interim Condensed Consolidated Statement of Financial Position.

The following table provides the long-term debt information:

In thousands of Canadian dollars	**As at Dec. 31, 2019 $**	**As at March 31, 2019 $**
Revolving credit facility, bearing interest at the bankers' acceptance rate, plus a margin of 1.20% (1.45% as at March 31, 2019), maturing in December 2020	28,055	25,004
Deferred financing costs [i)]	(40)	(69)
	28,015	**24,935**
Current portion	28,015	-
Long-term portion	-	24,935

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

11 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:

	Nine months ended December 31,			
	2019		**2018**	
In thousands	**Shares**	**$**	**Shares**	**$**
Balance at beginning of period	14,849	78,051	14,849	78,051
Common shares issued [i)]	203	1,200	-	-
Balance at end of period	15,052	79,251	14,849	78,051

[i)] During the nine months ended December 31, 2019, the Corporation issued 203,000 shares (no shares issued during the nine months ended December 31, 2018). The shares were issued as part of the acquisition of k-eCommerce (see Note 5). The fair value of $5.91 per share was determined based on the share price on the acquisition date, which was December 3, 2019.

c) Dividends declared

Nine months ended December 31, 2019

On August 6, 2019, the Corporation announced the payment of a cash dividend of $0.10 per share, payable on October 15, 2019, to shareholders of record on October 1, 2019.

On June 11, 2019, the Corporation announced the payment of a cash dividend of $0.10 per share, payable on July 15, 2019, to shareholders of record on July 2, 2019.

Nine months ended December 31, 2018

On November 13, 2018, the Corporation announced the payment of a cash dividend of $0.10 per share, payable on January 15, 2019, to shareholders of record on January 2, 2019.

On August 7, 2018, the Corporation announced the payment of a cash dividend of $0.10 per share, payable on October 15, 2018, to shareholders of record on October 1, 2018.

On June 12, 2018, the Corporation announced the payment of a cash dividend of $0.10 per share, payable on July 16, 2018, to shareholders of record on July 3, 2018.

12 Expenses by type

Operating profit (loss) includes the following items:

	Three months ended December 31,		Nine months ended December 31,	
In thousands of Canadian dollars	**2019** **$**	**2018** **$**	**2019** **$**	**2018** **$**
Amortization and depreciation				
Property, plant and equipment	233	347	685	889
Intangible assets	564	640	1,525	1,841
Acquired intangible assets	680	910	1,882	3,057
Right-of-use assets	435	-	1,182	-
Total	1,912	1,897	5,274	5,787
Employee benefit expenses				
Salaries and employee benefits	12,203	11,158	34,798	32,419
Termination benefits	1,121	28	1,267	206
	13,324	11,186	36,065	32,625
Tax credits	(886)	(1,262)	(2,904)	(3,355)
Total	(12,438)	9,924	33,161	29,270

13 Supplementary statements of cash flow and statements of income information

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

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
In thousands of Canadian dollars	$	$	$	$
Decrease (increase) in				
Accounts receivable	285	(668)	2,154	205
Tax credits receivable	377	(1,262)	34	(3,355)
Prepaid expenses and deposits	(503)	259	(500)	354
Increase (decrease) in				
Accounts payable and accrued liabilities	929	629	(2,309)	(1,259)
Other accounts payable	(815)	(453)	(1,704)	220
Deferred revenues	(869)	(891)	(2,046)	(1,879)
Total	(596)	(2,386)	(4,371)	(5,714)

During the nine months ended December 31, 2019, the Corporation reclassified an amount of $773,046 ($2,162,392 in 2018) from Tax credits receivable to Income taxes payable because the Corporation expects to use these tax attributes against income taxes payable during the current fiscal year.

b) Financial expenses consist of the following:

	Three months ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
In thousands of Canadian dollars	$	$	$	$
Amortization of deferred financing costs	10	10	29	30
Interest on lease liability	91	-	275	-
Interest on long-term debt	210	311	600	849
Total	311	321	904	879

14 Reclassification of technology expenses and cost of revenues

During the year ended March 31, 2019, the Corporation reclassified certain Technology expenses to present them as Cost of revenues in the Consolidated Statement of Income. This reclassification was made during the fourth quarter of fiscal 2019. Consequently, the first three quarters of 2019 did not include this adjustment. The Corporation estimated that the reclassification for the third quarter of 2019, ended December 31, 2018, amounted to $775,106 and the reclassification for the nine months ended December 31, 2018 amounted to $2,325,319. These amounts were initially presented as Technology expenses as at December 31, 2018 and were reclassified as Cost of revenues in the Interim Condensed Consolidated Statement of Income.

15 Joint venture

On May 29, 2018, the Board of Directors of Société d'investissement M-S S.E.C. "GWS'', the Corporation's 50%-ownership joint venture, voted a unanimous resolution to dissolve and liquidate GWS. The dissolution and the distribution of the residual cash balances to the co-venturers were completed on July 27, 2018. During the nine months ended December 31, 2018, the Corporation received an amount of $435,577 as a distribution from GWS.

In addition, during the nine months ended December 31, 2018, the Corporation recharged to GWS operating expenses in the amount of $2,743. These recharges were presented against Operating expenses in the Interim Condensed Consolidated Statement of Income.

These transactions occurred in the normal course of business and were measured at the amount of consideration agreed to by the parties. See the Notes to the Interim Condensed Consolidated Financial Statements.