Annual Consolidated Financial Statements of Alithya Group inc.

For the years ended March 31, 2021 and 2020

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Raymond Chabot Grant Thornton

Report of Independent Registered Public Accounting Firm

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To the Board of Directors and Shareholders of
Alithya Group inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Alithya Group inc. (hereafter "the Company") as of March 31, 2021 and 2020, the related consolidated statements of operations, changes in shareholders' equity, comprehensive loss, and cash flows, for each of the years ended March 31, 2021 and 2020, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2021 and 2020, and the results of its consolidated operations and its consolidated cash flows for each of the years ended March 31, 2021 and 2020, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2012.

Raymond Chabot Grant Thornton LLP

Montréal, Canada
June 9, 2021

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except per share data)	Notes	For the years ended March 31, 2021	2020
		$	$
Revenues		287,643	279,007
Cost of revenues		204,626	196,033
Gross margin		83,017	82,974
Operating expenses			
Selling, general and administrative expenses	17	81,723	76,782
Business acquisitions and integration costs		2,321	4,637
Depreciation	5, 6	3,767	3,368
Amortization of intangibles	7	11,739	11,278
Foreign exchange expense (gain)		473	(161)
Impairment of intangibles and goodwill	7, 8	—	28,036
		100,023	123,940
Operating loss		(17,006)	(40,966)
Financial expenses	18	3,274	2,347
Gain on recovery of note receivable		(660)	—
Gain on sale of subsidiary	3	—	(681)
Loss before income taxes		**(19,620)**	**(42,632)**
Income tax expense (recovery)			
Current	11	1,515	237
Deferred	11	(3,797)	(3,202)
		(2,282)	(2,965)
Net loss		**(17,338)**	**(39,667)**
Basic and diluted loss per share	15	(0.30)	(0.70)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		March 31,	March 31,
(in thousands of Canadian dollars)		2021	2020
	Notes	$	$
Assets			
Current assets			
Cash		6,903	8,810
Accounts receivable and other receivables	4	69,363	67,662
Income taxes receivable		642	2,154
Unbilled revenue		9,924	8,015
Tax credits receivable		4,936	5,889
Prepaids		3,923	3,195
		95,691	**95,725**
Non-current assets			
Restricted cash		3,233	2,212
Income taxes receivable		—	136
Tax credits receivable		7,809	7,015
Property and equipment	5	8,449	7,172
Right-of-use assets	6	11,118	11,492
Intangibles	7	36,590	51,804
Deferred tax assets	11	7,465	4,652
Goodwill	8	72,906	77,608
		243,261	**257,816**
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	9	51,571	50,327
Deferred revenue		10,288	9,602
Current portion of lease liabilities	6	1,923	1,559
Current portion of long-term debt	10	35,134	1,143
		98,916	**62,631**
Non-current liabilities			
Long-term debt	10	19,817	52,086
Lease liabilities	6	13,536	11,673
Deferred tax liabilities	11	2,980	4,057
		135,249	**130,447**
Shareholders' equity			
Share capital	12	197,537	195,335
Deficit		(96,190)	(78,780)
Accumulated other comprehensive (loss) income		(508)	6,123
Contributed surplus		7,173	4,691
		108,012	**127,369**
		243,261	**257,816**
Commitments and contingencies	13		
Subsequent event	23		

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended March 31,
(in thousands of Canadian dollars, except share data)

	Notes	Shares outstanding	Share capital	Deficit	Accumulated other comprehensive income (loss)	Contributed surplus	Total
		Number	$	$	$	$	$
Balance as at March 31, 2020		**58,073,517**	**195,335**	**(78,780)**	**6,123**	**4,691**	**127,369**
Net loss		—	—	(17,338)	—	—	(17,338)
Other comprehensive loss		—	—	—	(6,631)	—	(6,631)
Total comprehensive loss		**—**	**—**	**(17,338)**	**(6,631)**	**—**	**(23,969)**
Share-based compensation	12	—	—	—	—	1,537	1,537
Issuance of Multiple Voting Shares and Subordinate Voting Shares from exercise of stock options	12	156,132	484	—	—	(184)	300
Share-based compensation on shares vested during the year, issued on business acquisitions	12	458,071	1,686	—	—	2,365	4,051
Issuance of Subordinate Voting Shares from settlement of DSU	12	7,718	32	—	—	(32)	—
Repurchase of equity interests issued on business acquisition	3, 12	—	—	(72)	—	(1,204)	(1,276)
Total contributions by, and distributions to, shareholders		621,921	2,202	(72)	—	2,482	4,612
Balance as at March 31, 2021		**58,695,438**	**197,537**	**(96,190)**	**(508)**	**7,173**	**108,012**

	Notes	Shares outstanding	Share capital	Deficit	Accumulated other comprehensive income (loss)	Contributed surplus	Total
Balance as at March 31, 2019		**55,665,476**	**186,861**	**(39,113)**	**1,469**	**2,239**	**151,456**
Net loss		—	—	(39,667)	—	—	(39,667)
Other comprehensive income		—	—	—	4,654	—	4,654
Total comprehensive loss		**—**	**—**	**(39,667)**	**4,654**	**—**	**(35,013)**
Share-based compensation		—	—	—	—	1,050	1,050
Issuance of Subordinate Voting Shares from exercise of stock options	12	53,987	201	—	—	(36)	165
Share-based compensation on shares vested during the period, issued on business acquisitions	12	—	407	—	—	1,461	1,868
Issuance of Subordinate Voting Shares from settlement of DSU	12	5,514	23	—	—	(23)	—
Acquisition of Matricis	3, 12	473,646	1,800	—	—	—	1,800
Acquisition of Travercent	3, 12	1,274,510	3,870	—	—	—	3,870
Acquisition of Askida	3, 12	600,384	2,173	—	—	—	2,173
Total contributions by, and distributions to, shareholders		2,408,041	8,474	—	—	2,452	10,926
Balance as at March 31, 2020		**58,073,517**	**195,335**	**(78,780)**	**6,123**	**4,691**	**127,369**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the years ended March 31,	
(in thousands of Canadian dollars)	**2021**	**2020**
	$	**$**
Net loss	**(17,338)**	**(39,667)**
Other comprehensive loss		
Items that may be classified subsequently to profit or loss		
Cumulative translation adjustment on consolidation of foreign subsidiaries	(6,631)	4,654
	(6,631)	4,654
Comprehensive loss	**(23,969)**	**(35,013)**

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	Notes	For the years ended March 31, 2021 $	2020 $
Operating activities			
Net loss		(17,338)	(39,667)
Items not affecting cash			
Depreciation and amortization		15,506	14,646
Amortization of finance costs	18	242	231
Share-based compensation	12	5,588	2,918
Unrealized foreign exchange loss		1,291	273
Foreign exchange loss (gain) on repayment of long-term debt		(879)	81
Forgiveness of PPP loan	10	(1,898)	—
Interest accretion on balances of purchase payable	18	835	318
Loss on disposal of property and equipment		218	—
Other		(138)	—
Gain on sale of subsidiary	3	—	(681)
Impairment of intangibles and goodwill		—	28,036
Deferred taxes		(3,797)	(3,202)
Changes in non-cash working capital items	19	(86)	5,739
		16,882	48,359
Net cash (used in) from operating activities		**(456)**	**8,692**
Investing activities			
Additions to property and equipment	5,19	(2,104)	(4,488)
Additions to intangibles	7	(166)	(49)
Short-term deposits		—	1,324
Restricted cash		(1,021)	(47)
Repurchase of equity interests issued on business acquisitions	12	(1,276)	—
Business acquisitions and divestiture, net of cash acquired	3	—	(15,166)
Right-of-use assets		—	222
Net cash used in investing activities		**(4,567)**	**(18,204)**
Financing activities			
Line of credit and demand loan drawn (repaid)	16	—	(3,153)
Increase in long-term debt, net of related transaction costs	16	53,471	64,093
Repayment of long-term debt	16	(49,867)	(54,409)
Exercise of stock options	12	300	165
Repayment of lease liabilities		(1,397)	(1,754)
Lease incentives	6	917	—
Net cash from financing activities		**3,424**	**4,942**
Effect of exchange rate changes		(308)	579
Net change in cash		**(1,907)**	**(3,991)**
Cash, beginning of year		8,810	12,801
Cash, end of year		**6,903**	**8,810**
Cash paid (included in cash flow (used in) from operating activities)			
Interest paid		1,831	1,562
Income taxes paid		574	420

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

Alithya Group inc. (“Alithya” or the “Company”) and its subsidiaries (collectively with Alithya, the “Group”) are leaders in strategy and digital transformation. Alithya's integrated offering is based on four pillars of expertise: business strategy, application services, enterprise solutions and data and analytics. The Group deploys solutions, services, and skill sets to craft tools tailored to its client’s unique business needs in the financial services, manufacturing, energy, telecommunications, transportation and logistics, professional services, healthcare, and government sectors.

The Company’s Class A subordinate voting shares (the “Subordinate Voting Shares”) trades on the Toronto Stock Exchange (“TSX”) and on the NASDAQ Capital Market (“NASDAQ”) under the symbol “ALYA”.

The Company is the Group’s ultimate parent company and its head office is located at 1100, Robert-Bourassa Boulevard, Suite 400, Montréal, Quebec, Canada, H3B 3A5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issue by the Board of Directors (the “Board”) on June 9, 2021.

Basis of Measurement and Comparative Figures

These consolidated financial statements have been prepared on an accrual basis and under the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations.

Certain figures have been reclassified to conform to the current year presentation.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed or has the right to variable returns from its relationship with the entity and is able to affect those returns through its power over the activities of the entity. The subsidiaries’ financial statements are included in these consolidated financial statements from the date of commencement of control until the date that control ceases.

Subsidiaries’ accounting policies have been adjusted, when necessary, to align with the policies adopted by the Group.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

All intercompany balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated on consolidation.

These consolidated financial statements include the accounts of the Company and the accounts of its wholly-owned subsidiaries. All subsidiaries have a reporting date of March 31. The Company's principal subsidiaries are as follows:

Entity	Jurisdiction	2021 Percentage Ownership	2020 Percentage Ownership
Alithya Canada Inc.	Quebec, Canada	100%	100%
Alithya Consulting Inc.	Quebec, Canada	100%	100%
Alithya Digital Technology Corporation	Ontario, Canada	100%	100%
Alithya France SAS (formerly Alithya Consulting SAS)	France	100%	100%
Alithya USA, Inc.	Delaware, USA	100%	100%
Alithya Financial Solutions, Inc.	Delaware, USA	100%	100%
Alithya Ranzal LLC	Delaware, USA	100%	100%
Alithya Zero2Ten, Inc.	Delaware, USA	100%	100%
Alithya Fullscope Solutions, Inc.	Delaware, USA	100%	100%
Matricis Informatique Inc.	Quebec, Canada	100%	100%
Alithya Travercent LLC	Texas, USA	100%	100%
Alithya Askida Consulting Services Inc.	Quebec, Canada	100%	100%
Alithya Askida Solutions Inc.	Quebec, Canada	100%	100%
Pro2p Services Conseils Inc.	Canada	100%	100%
Alithya Solutions Canada Inc.	Canada	100%	100%

BUSINESS COMBINATIONS

The Group accounts for its business combinations using the acquisition method. Under this method the consideration transferred is measured at fair value. Acquisition-related and integration costs associated with the business combination are expensed as incurred. The Group recognizes goodwill as the excess of the cost of the acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition date fair values and any non-controlling interest in the acquiree. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on management's assumptions, including assumptions that would be made by market participants, acting in their economic best interest. These assumptions include the future expected cash flows arising from the intangible assets identified. The goodwill recognized is composed of the future economic value associated to acquired work force and any identified synergies with the Group's operations which are primarily due to reduction of costs and new business opportunities. The determination of fair value involves making estimates relating to acquired intangible assets, property and equipment, litigation, provision for estimated losses on revenue-generating contracts, other onerous contracts, tax and other contingency reserves. Estimates include the forecasting of future cash flows and discount rates. Subsequent changes in fair values are adjusted against the cost of acquisition, if they qualify as measurement period adjustments. The measurement period is the period between the date of acquisition and the date where all significant information necessary to determine the fair values is available, not to exceed 12 months. All other subsequent changes are recognized in the consolidated statements of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

TRANSLATION OF FOREIGN CURRENCIES

The Group's consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity in the group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

Foreign currency transactions and balances

Revenue, expenses and non-monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date, except for non-monetary items measured at fair value, which are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the reporting date. Unrealized and realized translation gains and losses, resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency, are reflected in the consolidated statements of operations.

Foreign operations

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Canadian dollar are translated into Canadian dollars upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period. Upon consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Goodwill and fair value adjustments arising from the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian dollars at the closing rate. Revenue and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to the consolidated statements of operations and are recognized as part of the gain or loss on disposal.

SEGMENTED REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other segments.

Based on the information received and analyzed by the decision-makers on a regular basis, the Group has determined that it has one reportable segment.

REVENUE RECOGNITION, UNBILLED REVENUE AND DEFERRED REVENUE

The Group generates revenue principally through the provision of consulting services in the areas of information technology including systems implementation and strategy. These services are provided under arrangements with varying pricing mechanisms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

To determine whether to recognize revenue, the Group follows a 5-step process:

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognizing revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Certain of the Group's arrangements may include client acceptance clauses. Each clause is analyzed to determine whether the earnings process is complete when the service is performed. Formal client sign-off is not always necessary to recognize revenue, provided that the Group objectively demonstrates that the criteria specified in the acceptance provisions are satisfied. Some of the criteria reviewed include historical experience with similar types of arrangements, whether the acceptance provisions are specific to the client or are included in all arrangements, the length of the acceptance term and historical experience with the specific client.

Time and materials arrangements - Revenue from consulting services and systems implementations under time and materials arrangements is recognized as the services are rendered.

Fixed-fee arrangements - Revenue from consulting services and systems implementations under fixed-fee arrangements where the outcome of the arrangements can be estimated reliably is recognized using the percentage-of-completion method over the service periods. The Group primarily uses labour costs or labour hours to measure the progress towards completion. This method relies on estimates of total expected labour costs or total expected labour hours to complete the service, which are compared to labour costs or labour hours incurred to date, to arrive at an estimate of the percentage of revenue earned to date. Management regularly reviews underlying estimates of total expected labour costs or hours. If the outcome of an arrangement cannot be estimated reliably, revenue is recognized to the extent of arrangement costs incurred that are likely to be recoverable.

Unbilled revenue and deferred revenue - Amounts recognized as revenue in excess of billings are classified as unbilled revenue. Amounts received in advance of the performance of services are classified as deferred revenue.

Retainer based arrangements - The client pays a recurring fee in exchange for a monthly recurring service (typically support). The revenue for these arrangements is recognized over time (using an hours-based input method). Revenue recognition over time is based on customer simultaneously receiving and consuming the benefit of the services provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Estimated losses on revenue-generating contracts - Estimated losses on revenue-generating contracts may occur due to additional contract costs which were not foreseen at the inception of the contract. Contract losses are measured at the amount by which the estimated total costs exceed the estimated total revenue from the contract. The estimated losses on revenue-generating contracts are recognized in the period when it is determined that a loss is probable. The expected loss is first applied to impair the related capitalized contract costs, if any, with the excess recorded in accounts payable and accrued liabilities. Management regularly reviews arrangement profitability and underlying estimates.

Software revenue - Software revenue is generated from the resale of certain third-party off-the-shelf software and maintenance. The majority of the software sold by the Group is delivered electronically. For software that is delivered electronically, the Group considers transfer of control to have occurred when the customer either (a) takes possession of the software via a download (that is, when the customer takes possession of the electronic data on its hardware), or (b) has been provided with access codes that allow the customer to take immediate possession of the software on its hardware pursuant to an agreement or purchase order for the software. In all instances, the resale of third-party software and maintenance is recorded on a net basis. Group created software, and the associated maintenance, is reported on a gross basis, however it is immaterial in all periods presented.

Third party software and maintenance revenue are recognized upon delivery of the software, as all related warranty and maintenance is performed by the primary software vendor and not the Group.

The Group enters into arrangements with multiple performance obligations which typically include software, post-contract support (or maintenance), and consulting services. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis. The Group has determined standalone selling prices for each of the performance obligations in connection with the evaluation of arrangements with multiple performance obligations. The Group has established standalone selling prices for consulting services based on a stated and consistent rate per hour range in standalone transactions. The Group has established standalone selling prices for software through consistent stated rates for software components. The Group has established standalone selling prices for maintenance based on observable prices for standalone renewals.

FINANCIAL INSTRUMENTS

Recognition and Derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Classification and Initial Measurement of Financial Assets

Except for those accounts receivables and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

In the years presented, the Company does not have any financial assets categorized as FVOCI or FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss presented within financial expense, except for impairment of accounts receivables and other receivables, which is presented within selling, general and administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash, restricted cash and accounts receivable and other receivables fall into this category of financial instruments.

Impairment of financial assets and unbilled revenues

IFRS 9's impairment requirements use forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of IFRS 9's impairment requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, accounts receivables and other receivables recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Expected credit losses are not significant for the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group considers a range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Accounts Receivable and Other Receivables and Unbilled Revenues

The Group makes use of the simplified approach in accounting for accounts receivable and other receivables and unbilled revenues and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of accounts receivables and other receivables on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade accounts payable and accrued liabilities, lease liabilities and long-term debt.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

All interest-related charges and, if applicable, changes in an instrument's fair value are reported in the consolidated statements of operations within financial expenses.

Transaction Costs

Transaction costs related to loans and receivables and liabilities are considered as part of the carrying value of the asset or liability and are then amortized over the expected life of the instrument using the effective interest rate method.

Financial Income and Expenses

Financial income includes interest income on cash. Interest income is recognized as it accrues in earnings, using the effective interest method. Financial expenses include interest expense on borrowings, effective interest on non-interesting bearing vendor financing arising from business combinations, amortization of unwinding of the discount on provisions and other interest and bank charges.

EARNINGS PER SHARE

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) attributable to the holders of Common Shares (as defined further herein) by the weighted average number of Common Shares outstanding during the period, including the effect of stock options exercised and deferred share units. The net earnings (loss) attributable to the holders of Common Shares corresponds to the net earnings (loss) adjusted by deducting earnings allocated to preferred shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional Common Shares that would have been outstanding assuming the conversion of all dilutive potential equity instruments.

Dilutive potential outstanding stock options include the total number of additional Common Shares that would have been issued by the Company assuming stock options with exercise prices below the average market price for the year were exercised and reduced by the number of shares that the Company could have repurchased if it had used the assumed proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period.

"Common Shares" include the Subordinate Voting Shares and Multiple Voting Shares (as defined further herein).

RESTRICTED CASH

Restricted cash represents amounts held in trust as required by contractual obligations arising from a business acquisition. Restricted cash that is not expected to become unrestricted within the next twelve months is included in non-current assets on the statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

GOVERNMENT ASSISTANCE

Certain subsidiaries are eligible for government assistance programs, in the different jurisdictions, in the form of grants, loans and tax credits for the development of e-business. Government assistance is recorded when there is reasonable assurance that the assistance will be received and that the subsidiary will comply with all relevant conditions. Assistance is treated as a reduction in the cost of the related item.

In preparing claims, judgment is required in interpreting the regulations related to these programs, determining if the operations of the subsidiaries qualify and identifying quantifying eligible expenses. These claims are subject to examination and audit by local authorities, who may disagree with interpretations made by the Group. Management estimates the amounts to be received or forgiven under these programs. Final settlements following examinations and audits could be different from amounts recorded and could have a material effect on the financial position or operating results of the Group.

PROPERTY AND EQUIPMENT ("P&E")

Property and equipment are recorded at cost and amortized over their estimated useful lives, using the following methods:

	Method	Rates
Furniture, fixtures and equipment	Declining balance	20 %
Computer equipment	Declining balance	30 %
Leasehold improvements	Straight line	Over the term of the lease

The residual value, depreciation method and useful life of each asset are reviewed at least once a year, at the reporting date.

LEASES

The Group as a lessee

For any new contracts entered into the Group considers whether a contract is, or contains a lease. A lease is defined as a "contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. The Group has elected not to recognize separately non-lease components of leases for office space (buildings). Accordingly, lease payments and the lease liability include payments relating to lease and non-lease components.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or net loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in the consolidated statements of operations on a straight-line basis over the lease term.

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INTANGIBLES

Intangible assets consist mainly of customer relationships, non-compete agreements, internal-use business solutions and software licenses and tradenames. Internal use business solutions and software licenses ("Software") are recorded at cost. In addition, internal-use business solutions developed internally are capitalized when they meet specific capitalization criteria related to technical and financial feasibility and when the Group demonstrates its ability and intention to use them. Amortization of internal-use business solutions commences once the solution is available for use. Customer relationships, internal-use business solutions and software licenses acquired through business combinations are initially recorded at their fair value. The Group amortizes its intangible assets using the straight-line method over their estimated useful lives, as follows :

	Method	Period
Customer relationships	Straight line	3 - 10 years
Non-compete agreements	Straight line	3 - 10 years
Software	Straight line	3 years
Tradenames	-	Indefinite

The residual value, depreciation method and useful life of each asset are reviewed at least once a year, at the reporting date.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition and it is measured net of accumulated impairment losses. Goodwill is not amortized, but instead tested for impairment annually, or more frequently, should events or changes in circumstances indicate that the goodwill may be impaired.

IMPAIRMENT OF P&E, RIGHT-OF-USE ASSETS, INTANGIBLES AND GOODWILL

Timing of impairment testing

The carrying amounts of the Group's P&E, right-of-use assets, intangible assets and goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired. At each reporting date, the Group assesses whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the impairment is tested at least annually, typically as at March 31.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment testing

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 (the "cash-generating unit", or "CGU"). 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. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. 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 consolidated earnings. Impairment losses recognized in respect of CGUs that include goodwill are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis not beyond the highest of:

- The fair value less costs of disposal; and
- Value in use of the individual asset, if determinable.

An impairment loss in respect of goodwill is not reversed. In respect of other 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 recognized.

PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group's provisions may consist of litigation and claim provisions arising in the ordinary course of business and decommissioning liabilities for operating leases of office buildings. The Group may record restructuring provisions related to business combinations and termination of employment costs incurred as part of the Group's productivity improvement initiatives. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted using a current pre-tax rate when the impact of the time value of money is material. The increase in the provision due to the passage of time is recognized as a finance cost. The accrued litigation and legal claim provisions are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Estimates include the period in which the underlying cause of the claim occurred and the degree of probability of an unfavorable outcome.

In the case of decommissioning liabilities pertaining to operating leases of buildings where certain arrangements require premises to be returned to their original state at the end of the lease term, the provision is determined using the present value of the estimated future cash outflows.

Restructuring provisions, consisting primarily of severance, are recognized when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, appropriate timelines and has been communicated to those affected by it.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

Income taxes are accounted for using the liability method of accounting.

Current income taxes are recognized with respect to the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between the amounts reported for financial statement purposes and tax values of the assets and liabilities using enacted or substantively enacted tax rates that will be in effect for the year in which the differences are expected to be recovered or settled. Deferred income tax assets and liabilities are recognized in earnings, other comprehensive income or in equity based on the classification of the item to which they relate.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and 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 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 they 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 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.

SHARE CAPITAL

Common Shares and preferred shares that are not redeemable or are redeemable only at the Group's option are classified as equity. Incremental costs directly attributable to the issue of Common Shares and preferred shares and stock options are recognized as a deduction from equity, net of any tax effects. Dividends payable by the Company to its Common Shares and preferred shareholders, which are determined at the discretion of the Board and in accordance with the terms of each category of preferred shares (note 12), are recorded when declared. Dividends on Common Shares and preferred shares are recognized as distributions within equity. When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from share capital for the shares' assigned value, any excess being allocated to contributed surplus to the extent that contributed surplus was created by a net excess of proceeds over cost on cancellation or resale of shares of the same class (charged to retained earnings if no contributed surplus for the same class of shares exists), and any discount being assigned to contributed surplus. Repurchased shares are made available to eligible employees for purchase at the price (fair value) then in effect, in the context of the share purchase plan described in note 12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SHARE-BASED COMPENSATION PLANS

Share purchase plan

The Company operates a share purchase plan for eligible employees of the Company and its subsidiaries. Under this plan, the Group matches the contributions made by employees up to a maximum percentage of the employee's salary. The Group's contributions to the plan are recognized in salaries within cost of revenues and selling, general and administrative.

Long-term incentive plan

The Company operates a long-term incentive plan for eligible employees and directors of the Company and its subsidiaries which provides for various types of awards.

Stock options

Stock option expense is based on the grant date fair value of the stock option expected to vest over the vesting period. Forfeitures are estimated at the time of the grant and are included in the measurement of the expense and are subsequently adjusted to reflect actual events. For stock options with graded vesting, the fair value of each tranche is recognized on a straight-line basis over its vesting period.

Any consideration paid by participants on exercise of stock options is credited to capital stock together with any related share-based compensation expense originally recorded in contributed surplus. If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense for stock options, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. In this situation, the Company recognizes the excess of the associated current or deferred tax to contributed surplus prior to an award being exercised, and any such amounts are transferred to capital stock upon exercise of the stock options.

Deferred share units ("DSU")

DSU are settled in Subordinate Voting Shares of the Company and the expense is based on the grant date fair value of the awards with a corresponding adjustment through contributed surplus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported as assets, liabilities, income and expenses in the consolidated financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which they occur and in any future periods affected.

Assessment of COVID-19 impact

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Group has reviewed its estimates, judgments and assumptions used in the preparation of its consolidated financial statements, including the determination of whether indicators of impairment exist for its tangible and intangible assets, including goodwill, estimated losses on revenue from fixed-fee arrangement contracts, the credit risk of its counterparties, and the estimates and judgments used for the measurement of its deferred tax assets.

Due to the pandemic and the significantly increased uncertainty surrounding global economic conditions in general, and the outlook of the Company's clients' different markets and industries in particular, the Group has made revisions to estimates and assumptions used in the determination of impairment of goodwill, as necessary, to reflect the increased uncertainty and risks.

As the situation is dynamic and the impact of COVID-19 on the Group's operations and financial conditions will be impacted by the duration of government-mandated measures and overall customer demand, revisions may be required in future periods to estimates and assumptions. Although management expects COVID-19 related disruptions to continue beyond fiscal 2021, it believes that the Group's long-term estimates and assumptions do not require further revisions, however management continues to monitor and evaluate the situation and its impact on the Group's business.

Information related to critical judgements required in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following note:

Revenue recognition of fixed-fee arrangements – the Group recognizes revenues fixed-fee arrangements which can extend over more than one reporting period. Revenue from these fixed-fee arrangements is recognized over time using the Groups' best estimate of the total expected labour costs or total expected labour hours, and the related risks associated with completing the projects. The Group's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project managers combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage complete;

Determination of the aggregation of operating segments - the Group uses judgment in the aggregation of operating segments for financial reporting and disclosure purposes. The Group has examined its activities and has determined that it has one single reportable segment due to similar characteristics including the nature of services provided to its customers, types of customers comprising its customer base and the regulatory environment in which the Group operates; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income taxes – the Group is subject to income tax laws and regulations in several jurisdictions for which the Groups' interpretations and the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues on the basis of amounts expected to be paid to the tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially provisioned, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Information related to assumptions and estimation uncertainties described below with a significant risk of resulting in material adjustments within the next year are included within the following notes:

Grants, loans and tax credits – the Group is eligible for government assistance programs, in different jurisdictions, which are recorded as a reduction in the cost of the related item when there is reasonable assurance that the assistance will be received and that the Group will comply with all relevant conditions. The Group interprets the regulations related to these programs, determines if the operations of the Group qualify and identifying quantifying eligible expenses. These claims are subject to examination and audit by local authorities, who may disagree with interpretations made by the Group. These interpretations are used to determine the amounts to be received or forgiven under the programs and are subject to examinations and audits which could reach conclusions that are materially different from amounts recorded by the Group.

Impairment of long-lived assets – the Group's impairment test for goodwill is based on internal estimates of the value-in-use calculations and uses valuation models such as the discounted cash flow model. Key assumptions on which the Group has based its determination of the individual CGUs' value-in-use include estimated growth rates and discount rates. These estimates, including the methodology used, the assessment of CGUs and how goodwill is allocated, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Refer to note 8 for additional information on the assumptions used. Whenever intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

Business combinations – the Group accounts for business combinations using the acquisition method. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value. The Group develops the fair value by using appropriate valuation techniques which are generally based on a discounted future expected cash flows. These evaluations are linked closely to the assumptions made by the Group and can consist of the future performance of the related assets, the discount rate and the attrition rate. Contingent consideration is measured at fair value using a discounted cash flow model.

Deferred tax assets – the Group exercises judgment in the assessment of the probability of future taxable income, to estimate the extent to which deferred income tax assets can be realized. Estimates are based on the Group's most recent approved budget, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules and tax planning strategies in the numerous jurisdictions in which the Group operates are carefully taken into consideration. The Group uses judgment to assess specific facts and circumstances to evaluate legal, economic or other uncertainties.

Share-based compensation - the Group measures the cost of equity-settled transactions with employees by reference to the fair value of the related instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which depends on the terms and conditions of the grant. This also requires making assumptions and determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. Refer to note 12 for additional information on the assumptions used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FUTURE ACCOUNTING STANDARDS

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations, and improvements to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Group. Management anticipates that all the relevant pronouncements will be adopted in the first reporting period following the date of application. Information on new standards, amendments and interpretations, and improvements to existing standards, which could potentially impact the Group's consolidated financial statements, are detailed as follows:

New Standards and Interpretations Issued but Not Yet Effective

On January 23, 2020, the IASB issued amendments to IAS 1 - Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. In July 2020, the IASB issued final amendments to defer the effective date to annual periods beginning on or after January 1, 2023. Early adoption is permitted. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that: settlement of a liability includes transferring a company's own equity instruments to the counterparty; and when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognized as equity. Management is currently assessing, but has not yet determined, the impact of this new standard on the Group's consolidated financial statements.

On May 14, 2020, the IASB published Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37), which specifies which costs a company includes when assessing whether a contract will be loss-making. The amendments are effective for annual periods beginning on or after January 1, 2022. Management is currently assessing, but has not yet determined, the impact on the Group's consolidated financial statements.

On May 28, 2020, the IASB published COVID-19-Related Rent Concessions (Amendment to IFRS 16), which amends IFRS 16, Leases, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual periods beginning on or after June 1, 2020 and will be applied retrospectively. Management has completed its analysis of the guidance and does not expect it to materially impact the Group's consolidated financial statements.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

3. BUSINESS COMBINATIONS AND DIVESTITURE

Business combinations and divestiture realized in the prior fiscal year ended March 31, 2020

Matricis Informatique Inc.

Overview

On October 1, 2019, the Company acquired 100% of the issued and outstanding shares of Matricis Informatique Inc. ("Matricis') (the "Matricis Acquisition"), a Canadian consulting firm specializing in advanced applications and systems using techniques derived from the Internet of Things (IoT), Artificial Intelligence (AI), a combination of the aforementioned (AIoT), as well as operational intelligence in the healthcare, industrial, and financial sectors.

The Matricis Acquisition was completed for total consideration of $7,200,000, consisting of $3,600,000 in cash, payable in two equal instalments on October 1, 2019, subject to working capital adjustments and other adjustments as necessary, and October 1, 2022 and $3,600,000, in aggregate, in share consideration payable by way of 947,292 Subordinate Voting Shares, of which 473,646 were issued on October 1, 2019 and 473,646 will be issued in equal portions on October 1, 2020, 2021 and 2022. The Subordinate Voting Shares to be issued on October 1, 2020 and subsequently, having a value of $1,800,000, in aggregate, will be recognized as share-based compensation over three years.

The fair value of the assets acquired, liabilities assumed, and the purchase consideration is preliminary pending completion of their valuation. Should new information, obtained within one year of the date of acquisition, about the facts and circumstances that existed at the date of the Matricis Acquisition, result in adjustments to the below amounts, or require additional provisions for conditions that existed at the date of the Matricis Acquisition, the fair value will then be revised. The Matricis Acquisition is being accounted for using the acquisition method of accounting.

For the year ended March 31, 2020, the Company incurred acquisition-related costs of approximately $157,000. These costs have been recorded in the consolidated statement of operations in business acquisitions and integration costs.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

3. BUSINESS COMBINATIONS AND DIVESTITURE (CONT'D)

Purchase Price Allocation

The allocation of the fair value of the assets acquired and the liabilities assumed is detailed as follows:

Acquisition of Matricis	**$**
Current assets	
Cash	467
Accounts receivable and other receivables	584
Unbilled revenue	288
Prepaids	94
	1,433
Non-current assets	
Property and equipment	85
Tax credits receivable	1,059
Deferred tax assets	111
Intangibles	1,820
Goodwill	2,566
Total assets acquired	**7,074**
Current liabilities	
Accounts payable and accrued liabilities	596
Deferred revenue	415
Current portion of long-term debt	544
	1,555
Non-current liabilities	
Deferred lease inducements	6
Deferred tax liabilities	624
Total liabilities assumed	**2,185**
Net assets acquired	**4,889**

Goodwill

The goodwill recognized consists mainly of the future economic value attributable to the profitability of the acquired business, as well as its workforce. The Company does not expect any of the goodwill to be deductible for income tax purposes.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

3. BUSINESS COMBINATIONS AND DIVESTITURE (CONT'D)

Consideration paid

The following table summarizes the acquisition date fair value of each class of consideration:

Acquisition of Matricis	**$**
Cash paid	1,578
Issuance of 473,646 Subordinate Voting Shares (note 12)	1,800
Balance of purchase payable (note 10)	1,511
Total consideration	**4,889**

Matricis' contribution to the Group's results

The Matricis business contributed revenues of approximately $2,497,000, a gross margin of $1,100,000 and a loss before income taxes of $84,000 to the Group for the period October 1, 2019 to March 31, 2020. If the acquisition had occurred on April 1, 2019, consolidated pro-forma revenue, gross margin and loss before income taxes for the year ended March 31, 2020 would have been $4,824,000, $2,028,000 and $144,000, respectively. These amounts have been calculated using Matricis' results and adjusting for:

- differences in accounting policies between the Group and Matricis;
- the removal of transaction costs incurred by Matricis from April 1, 2019 to September 30, 2019; and
- the additional amortization that would have been charged assuming the fair value adjustments to intangibles had been applied from April 1, 2019.

Alithya Travercent LLC

Overview

On December 13, 2019, the Company acquired 100% of the issued and outstanding membership interest of Travercent LLC (the "Travercent Acquisition"), a US-based cloud-focused Enterprise Resource Planning ("ERP") consulting group specialized in the healthcare sector, now known as Alithya Travercent LLC ("Alithya Travercent"). Alithya Travercent's competencies include implementing Oracle's cloud ERP, Human Capital Management ("HCM"), Enterprise Performance Management ("EPM") and Business Intelligence ("BI") applications. Alithya Travercent has also developed a cloud solution named CAPSURE RF^{TM}, an Oracle cloud extension that optimizes material management processes, of healthcare providers, for supply chain management and point of use.

The Travercent Acquisition was completed for total consideration of US$19,500,000 ($25,802,849), consisting of US$13,650,000 ($18,061,994), in cash, payable in two equal instalments on December 13, 2019, subject to working capital and other adjustments as necessary, and December 13, 2022 and US$5,850,000 ($7,740,855), in aggregate, in share consideration payable by way of Subordinate Voting Shares, of which 1,274,510 were issued on December 13, 2019 (the "Closing Share Consideration") with a value of US$2,925,000 ($3,870,427) and a number of Subordinate Voting Shares on each of December 13, 2020, 2021 and 2022 equal to US$975,000 ($1,290,142) divided by the volume weighted average trading price of Subordinate Voting Shares on the TSX prior to each such issuance as determined in the purchase agreement. If such subsequent price of the Subordinate Voting Shares is lower than the price used for the Closing Share Consideration, the Company has the option of paying each such amount in cash. The Subordinate Voting Shares to be issued on December 13, 2020 and subsequently, having a value of US$2,925,000 ($3,870,427), in aggregate, will be recognized as share-based compensation over three years.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

3. BUSINESS COMBINATIONS AND DIVESTITURE (CONT'D)

The fair value of the assets acquired, liabilities assumed, and the purchase consideration is preliminary pending completion of their valuation. Should new information, obtained within one year of the date of acquisition, about the facts and circumstances that existed at the date of the Travercent Acquisition, result in adjustments to the below amounts, or require additional provisions for conditions that existed at the date of the Travercent Acquisition, the fair value will then be revised. The Travercent Acquisition is being accounted for using the acquisition method of accounting.

For the year ended March 31, 2020, the Company incurred acquisition-related costs of approximately $565,000. These costs have been recorded in the consolidated statement of operations in business acquisitions and integration costs.

Purchase Price Allocation

The allocation of the fair value of the assets acquired and the liabilities assumed is detailed as follows:

Acquisition of Alithya Travercent	**$**
Current assets	
Cash	2,118
Accounts receivable and other receivables	1,391
Unbilled revenue	1,458
Prepaids	49
	5,016
Non-current assets	
Intangibles	15,720
Goodwill	3,374
Total assets acquired	**24,110**
Current liabilities	
Accounts payable and accrued liabilities	1,331
Deferred revenue	2,301
Total liabilities assumed	**3,632**
Net assets acquired	**20,478**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

3. BUSINESS COMBINATIONS AND DIVESTITURE (CONT'D)

Goodwill

The goodwill recognized consists mainly of the future economic value attributable to the profitability of the acquired business, as well as its workforce and expertise. The amount of goodwill is expected to be deductible for income tax purposes.

Consideration paid

The following table summarizes the acquisition date fair value of each class of consideration:

Acquisition of Alithya Travercent	**$**
Cash paid	8,958
Issuance of 1,274,510 Subordinate Voting Shares (note 12)	3,870
Balance of purchase payable (note 10)	7,650
Total consideration	**20,478**

Alithya Travercent's contribution to the Group's results

The Alithya Travercent business contributed revenues of approximately $4,833,000, a gross margin of $1,909,000 and a profit before income taxes of $1,029,000 to the Group for the period December 13, 2019 to March 31, 2020. If the acquisition had occurred on April 1, 2019, consolidated pro-forma revenue, gross margin and profit before income taxes for the year ended March 31, 2020 would have been $15,789,000, $6,329,000 and $4,319,000, respectively. These amounts have been calculated using Alithya Travercent's results and adjusting for:

- differences in accounting policies between the Group and Alithya Travercent;
- the removal of transaction costs incurred by Alithya Travercent from April 1, 2019 to December 12, 2019; and
- the additional amortization that would have been charged assuming the fair value adjustments to intangibles had been applied from April 1, 2019.

Askida

Overview

On February 1, 2020, the Company acquired 100% of the issued and outstanding shares of Groupe Askida Inc., now known as Alithya Askida Solutions Inc., and Askida Consulting Services Inc., now known as Alithya Askida Consulting Services Inc. (collectively "Askida") (the "Askida Acquisition"), a Canadian group with expertise in software quality assurance tools and services, as well as in development and modernization of custom applications.

The Askida Acquisition was completed for total consideration of $16,000,000, consisting of $11,655,000, in cash payable in two instalments as follows: $8,396,250 on February 1, 2020, subject to working capital adjustments, and $3,258,750 on February 1, 2022, plus $4,345,000, in aggregate, in share consideration payable by way of the issuance of 1,200,765 Subordinate Voting Shares, of which 600,384 were issued on February 1, 2020 and 300,189 and 300,192 to be issued on February 1, 2021 and 2022, respectively. The Subordinate Voting Shares to be issued on February 1, 2021 and 2022, having a stated value of $2,172,500, in aggregate, will be recognized as share-based compensation over two years.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

3. BUSINESS COMBINATIONS AND DIVESTITURE (CONT'D)

The fair value of the assets acquired, liabilities assumed, and the purchase consideration is preliminary pending completion of their valuation. Should new information, obtained within one year of the date of acquisition, about the facts and circumstances that existed at the date of the Askida Acquisition, result in adjustments to the below amounts, or require additional provisions for conditions that existed at the date of the Askida Acquisition, the fair value will then be revised. The Askida Acquisition is being accounted for using the acquisition method of accounting.

For the year ended March 31, 2020, the Company incurred acquisition-related costs of approximately $265,000. These costs have been recorded in the consolidated statement of operations in business acquisitions and integration costs.

Purchase Price Allocation

The allocation of the fair value of the assets acquired and the liabilities assumed is detailed as follows:

Acquisition of Askida	**$**
Current assets	
Cash	616
Accounts receivable and other receivables	4,324
Unbilled revenue	581
Tax credits receivable	2,709
Prepaids	229
	8,459
Non-current assets	
Tax credits receivable	956
Property and equipment	244
Right-of-use assets	193
Intangibles	8,410
Goodwill	4,324
Total assets acquired	**22,586**
Current liabilities	
Line of credit	1,022
Demand loan	2,131
Accounts payable and accrued liabilities	1,789
Income taxes payable	62
Deferred revenue	318
Current portion of lease liabilities	84
Current portion of long-term debt	561
	5,967
Non-current liabilities	
Lease liabilities	109
Deferred tax liabilities	3,024
Total liabilities assumed	**9,100**
Net assets acquired	**13,486**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

3. BUSINESS COMBINATIONS AND DIVESTITURE (CONT'D)

Goodwill

The goodwill recognized consists mainly of the future economic value attributable to the profitability of the acquired business, as well as its workforce. The Company does not expect any of the goodwill to be deductible for income tax purposes.

Consideration paid

The following table summarizes the acquisition date fair value of each class of consideration paid:

Acquisition of Askida	**$**
Cash paid	8,396
Issuance of 600,384 Subordinate Voting Shares (note 12)	2,173
Balance of purchase payable (note 10)	2,917
Total consideration transferred	**13,486**

Askida's contribution to the Group's results

The Askida business contributed revenues of approximately $1,708,000, a gross margin of $210,000 and a loss before income taxes of $499,000 to the Group for the period February 1, 2020 to March 31, 2020. If the acquisition had occurred on April 1, 2019, consolidated pro-forma revenue, gross margin and loss before incomes taxes for the year ended March 31, 2020 would have been $12,465,000, $3,914,000 and $87,000, respectively. These amounts have been calculated using Askida's results and adjusting for:

- differences in accounting policies between the Group and Askida;
- the removal of transaction costs incurred by Askida from April 1, 2019 to January 31, 2020; and
- the additional amortization that would have been charged assuming the fair value adjustments to intangibles had been applied from April 1, 2019.

Zero2Ten EMEA Limited

On October 2, 2019, Alithya Zero2Ten, Inc. an indirect wholly-owned subsidiary of the Company, sold 100% of the issued and outstanding shares of its wholly-owned subsidiary, Zero2Ten EMEA Limited ("Alithya UK"), for total cash consideration of GBP£800,000 (approximately $1,302,000), of which GBP£350,000 (approximately $570,000) was paid on October 2, 2019, and a balance of sale receivable of GBP£450,000 (approximately $791,000), was due on April 1, 2020 and is recorded in accounts receivable and other receivables. The balance of sale receivable was received on April 1, 2020.

The divestiture of Alithya UK resulted in a gain on disposal of subsidiary as follows:

Divestiture of Zero2Ten EMEA Limited	$
Consideration received in cash	565
Balance of sale receivable	728
Total consideration	1,293
Net assets divested	612
Gain on sale of subsidiary	681

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

4. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

As at	March 31, 2021	March 31, 2020
	$	$
Trade accounts receivable, net [a]	67,049	59,537
Trade accounts receivable from shareholders exercising significant influence	—	6,718
Other receivables	2,314	1,407
	69,363	**67,662**

[a] As at March 31, 2021, amounts owing from one client represented 16% of the total trade accounts receivable (one client represented 10% of the total trade accounts receivable as at March 31, 2020).

During the year ended March 31, 2021 one client generated 11% of total revenue (no client generated more than 10% of total revenue in 2020).

5. PROPERTY AND EQUIPMENT

As at	March 31, 2021				March 31, 2020			
	Furniture, fixtures & equipment	Computer equipment	Leasehold improvements	Total	Furniture, fixtures & equipment	Computer equipment	Leasehold improvements	Total
	$	$	$	$	$	$		$
Cost	2,333	3,190	5,611	11,134	1,435	2,800	1,844	6,079
Additions	553	1,195	1,682	3,430	1,313	886	3,724	5,923
Additions through business acquisitions	—	—	—	—	67	239	22	328
Disposals / retirements	(1,150)	(1,217)	(1,106)	(3,473)	(490)	(855)	—	(1,345)
Foreign currency translation adjustment	2	(279)	(38)	(315)	8	120	21	149
Subtotal	**1,738**	**2,889**	**6,149**	**10,776**	**2,333**	**3,190**	**5,611**	**11,134**
Accumulated depreciation	699	1,752	1,511	3,962	866	1,874	1,000	3,740
Depreciation expense	381	765	715	1,861	226	543	509	1,278
Disposals / retirements	(964)	(1,188)	(1,103)	(3,255)	(397)	(762)	—	(1,159)
Foreign currency translation adjustment	(5)	(229)	(7)	(241)	4	97	2	103
Subtotal	**111**	**1,100**	**1,116**	**2,327**	**699**	**1,752**	**1,511**	**3,962**
Net carrying amount	**1,627**	**1,789**	**5,033**	**8,449**	**1,634**	**1,438**	**4,100**	**7,172**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

6. LEASES

Right-of-use assets

The following right-of-use assets relate to right-of-use real estate:

As at	March 31, 2021	March 31, 2020
	$	$
Beginning balance as at April 1, 2020 and 2019	11,492	6,509
Additions	2,611	7,262
Terminations	—	(381)
Depreciation	(1,906)	(2,090)
Reassessment	(830)	—
Lease inducement allowance	28	3
Exchange rate effect	(277)	189
Ending balance	**11,118**	**11,492**

Lease liabilities

As at	March 31, 2021	March 31, 2020
	$	$
Beginning balance as at April 1, 2020 and 2019	13,232	6,668
Additions	2,611	7,257
Terminations	—	(381)
Lease payments	(1,992)	(2,129)
Lease incentives	2,243	1,249
Lease interest	595	375
Reassessment	(830)	—
Concession	(110)	—
Exchange rate effect	(290)	193
Ending balance	**15,459**	**13,232**
Current portion	1,923	1,559
	13,536	**11,673**

Contractual lease payments under the lease liabilities as at March 31, 2021 are as follows:

As at	March 31, 2021
	$
Less than one year	2,482
One to two years	2,602
Two to five years	6,756
More than five years	6,026
Total undiscounted lease payments at period end	**17,866**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

6. LEASES (CONT'D)

Amounts recognized in net loss

Year ended	March 31, 2021	March 31, 2020
	$	$
Interest on lease liabilities	595	375
Expenses relating to short-term leases	—	122
Variable lease payments	2,487	1,134
	3,082	**1,631**

Total cash outflow for leases for the year ended March 31, 2021 and 2020 was $4,478,817 and $3,385,058, respectively.

7. INTANGIBLES

As at	March 31, 2021				March 31, 2020				
	Customer relationships	Software	Non-compete agreements	Total	Customer relationships	Software	Tradenames	Non-compete agreements	Total
	$	$	$	$	$	$	$	$	$
Cost	73,722	4,377	7,530	85,629	55,823	1,355	12,604	316	70,098
Additions, purchased	—	7	—	7	—	49	—	—	49
Additions through business acquisitions	—	—	—	—	16,077	2,909	—	6,964	25,950
Additions, internally generated	—	159	—	159	—	—	—	—	—
Disposals / retirements	(2,933)	(29)	(237)	(3,199)	—	—	—	—	—
Foreign currency translation adjustment	(3,069)	(180)	(391)	(3,640)	1,822	64	732	250	2,868
Subtotal	**67,720**	**4,334**	**6,902**	**78,956**	**73,722**	**4,377**	**13,336**	**7,530**	**98,965**
Accumulated amortization	31,970	1,242	613	33,825	21,837	644	—	66	22,547
Amortization	8,996	1,258	1,485	11,739	10,133	598	—	547	11,278
Impairment loss	—	—	—	—	—	—	13,336	—	13,336
Disposals / retirements	(2,933)	(29)	(236)	(3,198)	—	—	—	—	—
Subtotal	**38,033**	**2,471**	**1,862**	**42,366**	**31,970**	**1,242**	**13,336**	**613**	**47,161**
Net carrying amount	**29,687**	**1,863**	**5,040**	**36,590**	**41,752**	**3,135**	**—**	**6,917**	**51,804**

No impairment was recognized for the year ended March 31, 2021. An impairment loss of $13,336,000 was recognized as at March 31, 2020 for the tradenames related to the EPM and the ERP U.S. operations. The recoverable amount of the asset is its value-in-use, as determined by management. The continued development and promotion of the Alithya tradename, and its resulting increased recognition and value, has reduced the use, relative importance and value, of the Company's past acquisitions' historical tradenames. The tradenames will nevertheless continue to be registered and protected, where appropriate, for competitive considerations.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

8. GOODWILL

The Group completed the annual impairment test as at March 31, 2021 for its CGUs which are categorized as follows: (i) the operations in Canada excluding Alithya Digital Technology Corporation ("ADT"), (ii) the operations of ADT, (iii) the operations in France, (iv) EPM U.S. operations and (v) ERP U.S. operations.

As at	March 31, 2021					
	Canada	ADT	France	EPM US	ERP US	Total
	$	$	$	$	$	$
Beginning balance	26,950	7,694	150	10,012	32,802	77,608
Foreign currency translation adjustment	—	—	(13)	(1,097)	(3,592)	(4,702)
Net carrying amount	**26,950**	**7,694**	**137**	**8,915**	**29,210**	**72,906**

As at	March 31, 2020					
	Canada	ADT	France	EPM US	ERP US	Total
	$	$	$	$	$	$
Beginning balance	20,060	9,794	1,836	12,296	35,648	79,634
Business acquisitions (note 3)	6,890	—	—	3,374	—	10,264
Divestiture of subsidiary	—	—	—	—	(576)	(576)
Impairment	—	(2,100)	(1,700)	(6,600)	(4,300)	(14,700)
Foreign currency translation adjustment	—	—	14	942	2,030	2,986
Net carrying amount	**26,950**	**7,694**	**150**	**10,012**	**32,802**	**77,608**

The Group completed an annual impairment test as at March 31, 2021 and concluded no impairment occurred. The Group had performed its annual goodwill impairment test, on March 31, 2020, in the context of the COVID-19 pandemic and the significantly increased uncertainty surrounding global economic conditions in general, and the outlook of the Group's clients' different markets and industries in particular. As a result, the Company recorded a total goodwill impairment of $14,700,000, relating to certain CGUs as indicated in the above table. The immediate and long-term impacts of the COVID-19 pandemic, including related government and central bank interventions were unknown at that time and any estimate thereof is subject to significant uncertainty. The effects of the pandemic may therefore differ from those used in the above impairment calculations.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

8. GOODWILL (CONT'D)

In assessing whether goodwill is impaired, the carrying amount of the CGU was compared to its recoverable amount. The recoverable amount of each CGU was determined based on the value-in-use calculations, covering a detailed three-year forecast, which reflect such increased uncertainty and risks, followed by an extrapolation of expected cash flows for the remaining useful lives using the declining growth rate determined by management. The present value of the expected cash flows of each CGU is determined by applying a suitable after tax value Weighted Average Cost of Capital ("WACC") reflecting current market assessments of the time value of money and the CGU-specific risks.

Key assumptions used in impairment testing by CGU are as follows:

As at	**March 31, 2021**				
	Canada	**ADT**	**France**	**EPM US**	**ERP US**
	%	%	%	%	%
After tax WACC	10.8	11.2	14.6	13.2	13.4
Long-term growth rate of net operating cash flows*	3.4	3.4	4.5	3.4	3.4

** The long-term growth rate is based on published industry research.*

As at	**March 31, 2020**				
	Canada	**ADT**	**France**	**EPM US**	**ERP US**
	%	%	%	%	%
After tax WACC	14.0	14.0	16.0	16.5	17.0
Long-term growth rate of net operating cash flows*	3.0	4.0	3.0	3.0	3.0

** The long-term growth rate is based on published industry research.*

No reasonably possible change in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

For the year ended March 31, 2020, two key assumptions were identified that, if changed, could have cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the values of the recoverable amount calculation would have had the following effects for the year ended March 31, 2020, assuming all other variables remain constant:

	Incremental increase in after tax WACC	**Incremental decrease in long-term growth rate of net operating cash flows**
	%	%
Canada	4.2	5.7

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	March 31,	
	2021	2020
	$	$
Trade accounts payable	15,196	14,972
Accrued liabilities	12,478	13,998
Accrued compensation	21,098	18,411
Consumption taxes payable	2,662	2,241
Performance obligations in customer contracts	137	219
Provision	—	486
	51,571	**50,327**

The following table summarizes the provision recorded by the Group:

As at	March 31,	
	2021	2020
	$	$
Beginning balance	486	154
Paid or otherwise settled	(486)	—
Additional provision	—	332
Ending balance	—	**486**

All provisions were settled as at March 31, 2021. The provision as at March 31, 2020 was in respect of former employee claims and in respect of certain claims from a business acquisition.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

10. LONG-TERM DEBT

The following table summarizes the Group's long-term debt:

As at	March 31, 2021	March 31, 2020
	$	$
Senior secured revolving credit facility (the "Credit Facility") [(a)]	31,023	37,615
Balance of purchase payable with a nominal value of $3,100,000, non-interest bearing (5.8% effective interest rate) payable April 3, 2022	2,988	2,877
Balance of purchase payable with a nominal value of $1,800,000, non-interest bearing (6.0% effective interest rate), payable on October 1, 2022	1,649	1,556
Balance of purchase payable with a nominal value of $8,579,919 ($6,825,000 US), non-interest bearing (6.0% effective interest rate), payable on December 13, 2022	7,770	8,232
Balance of purchase payable with a nominal value of $3,258,750, non-interest bearing (5.7% effective interest rate) payable on February 1, 2022	3,112	2,944
Unsecured promissory notes (US$4,800,000) (b)	6,034	—
Deferral of employment tax deposits and payments (US$1,877,873) (c)	2,361	—
Other	213	347
Unamortized transaction costs (net of accumulated amortization of $476,685 and $234,858)	(199)	(342)
	54,951	**53,229**
Current portion of long-term debt	35,134	1,143
	19,817	**52,086**

[(a)] The senior secured revolving credit facility is available to a maximum amount of $60,000,000 and can be drawn in Canadian and the equivalent amount in U.S. dollars. It is available in prime rate advances, LIBOR advances, bankers' acceptances and letters of credit. The letters of credit exposure shall not exceed $2,500,000 at any time.

The advances bear interest at the Canadian or U.S. prime rate, plus an applicable margin ranging from 0.00% to 1.50%, or bankers' acceptances or LIBOR rates, plus an applicable margin ranging from 1.00% to 2.75%, as applicable for Canadian and U.S. advances, respectively. Until June 30, 2021, the applicable margin on the Canadian or U.S. advances and the bankers' acceptances and LIBOR advances is set at 1.50% and 2.75%, respectively. Thereafter, the applicable margin will be determined based on threshold limits for certain financial ratios.

As at March 31, 2021, the advance drawn on the Credit Facility amount to US$3,200,000 ($4,022,819) (2020 - US$14,000,000 ($19,764,654)), and $27,000,000 (2020 - $17,850,000), in U.S. and Canadian dollars respectively. As at March 31, 2021, the U.S. advances bear interest at 2.85% (2020 - 1.86%) and the Canadian advances bear interest at 3.95% (2020 - 2.45%).

As security for the Credit Facility, Alithya provided a first ranking hypothec on the universality of its assets excluding leased equipment and Investissement Quebec's first ranking lien on tax credits receivable for the financing related to refundable tax credits, to a maximum of $7,500,000. Under the terms of the agreement, the Group is required to maintain certain financial covenants, which are measured on a quarterly basis. A monthly minimum availability test is also applicable until March 31, 2021. The Credit Facility matures on January 22, 2022 and is renewable for additional one-year periods at the lender's discretion. As the maturity date of the Credit Facility is within twelve months after the reporting date, it has been classified as under the current portion of long-term debt. The Group does not anticipate any issue in renewing its Credit Facility before the maturity date.

The Group was in compliance with all of its financial covenants at March 31, 2021 and 2020 (note 22).

10. LONG-TERM DEBT (CONT'D)

[(b)] As a result of the COVID-19 pandemic, on May 5, 2020, certain U.S. subsidiaries of the Group received funding under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") administered by the U.S. Small Business Administration ("SBA") and entered into unsecured promissory notes (the "Notes") in the aggregate principal amount of US$6,300,000 ($7,931,744). The Notes have a term of five years at an interest rate of 1% per annum, with a deferral of payments until the date on which the applicable forgiveness is decisioned, with respect to any portion of the Notes which is not forgiven as described below.

Under the terms of the CARES Act, PPP loan recipients can apply for forgiveness for all or a portion of loans granted under the PPP. The Group accounts for the forgiveness as government assistance with a corresponding reduction in the cost of the related item. Such forgiveness will be determined, subject to limitations and ongoing rule making by the SBA, based on the necessity of the loan at the time of application and the timely use of loan proceeds for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest costs and the maintenance of employee and compensation levels. The PPP loans, even after notice of forgiveness by the SBA, are subject to subsequent audit by the SBA, for a period of six years after receiving notice of forgiveness.

During the year ended March 31, 2021, the Group recognized an aggregate amount of US$1,500,000 ($1,897,515) as government assistance for three of the Group's subsidiaries given that the Group had complied with all relevant conditions for forgiveness which was confirmed by reception of a full loan forgiveness decision by the SBA. The amount was included against the net loss for the year ended March 31, 2021 (note 17).

The two remaining PPP loans, which amount to US$2,525,000 ($3,174,256) and US$2,275,000 ($2,859,973) respectively, are still under review for forgiveness as at the date of release of these consolidated financial statements. The SBA had indicated all PPP loans over US$2,000,000 would be subject to greater scrutiny and subsequent audit. Consequently, the Group believes it does not yet have reasonable assurance of recognizing such government assistance as at March 31, 2021, and that reasonable assurance will be attained once the SBA has communicated forgiveness, in whole or in part, of these loans. Accordingly, no amounts have been recognized against the net loss for the year ended March 31, 2021 related to these two remaining PPP loans. The Group continues to believe it complies with the program's forgiveness guidelines, rules and conditions, and has used the proceeds of the Notes for qualifying expenses.

[(c)] The CARES Act allows employers to defer the payments of the employer share of social security taxes during the period beginning on March 27, 2020 and ending on the earlier of December 31, 2020 or the date the Company receives a decision from the lender that the PPP loan is forgiven. The payment of the deferred social security taxes is due fifty percent on December 31, 2021 and the remaining amount on December 31, 2022.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

11. INCOME TAXES

Income tax expense (recovery) for the year is as follows:

Year ended	March 31,	
	2021	2020
Current tax expense	$	$
Current tax expense for the year	1,515	237
Total current tax expense	**1,515**	**237**
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(3,797)	(3,202)
Total deferred tax recovery	**(3,797)**	**(3,202)**
Total income tax recovery	**(2,282)**	**(2,965)**

The Group's effective income tax rate differs from the combined Federal, U.S. State and Provincial Canadian statutory tax rate as follows:

Year ended	March 31,			
	2021		2020	
	%	$	%	$
Loss before income taxes		(19,620)		(42,632)
Company's statutory tax rate	26.5	(5,199)	26.5	(11,297)
Non-deductible share-based compensation expense	(4.2)	815	(1.6)	689
Other non-deductible and tax exempt items	(2.8)	549	(1.1)	490
Change in unrecognized deferred tax assets	(10.6)	2,076	(15.9)	6,795
Impairment of intangibles and goodwill	—	—	(0.7)	310
Other	2.7	(523)	(0.1)	48
Effective income tax rate	**11.6**	**(2,282)**	**7.1**	**(2,965)**

The Group's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Group operates.

Deferred income tax assets and liabilities

The amounts recognized in the consolidated statement of financial position consist of:

As at	March 31,	
	2021	2020
	$	$
Deferred tax liabilities	(2,980)	(4,057)
Deferred tax assets	7,465	4,652
	4,485	**595**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

11. INCOME TAXES (CONT'D)

Movements in temporary differences during the year were as follows:

As at	March 31, 2021				March 31, 2020			
	Opening balance	Recognized in earning	Recognized to other comprehensive loss	Total	Opening balance	Recognized in earning	Business acquisitions	Total
	$	$	$	$	$	$	$	$
Losses available for carryforward and other tax deductions	11,052	2,064	—	**13,116**	13,669	(2,884)	267	**11,052**
Deferred financing costs	700	(142)	—	**558**	908	(211)	3	**700**
Total deferred tax assets	**11,752**	**1,922**	**—**	**13,674**	**14,577**	**(3,095)**	**270**	**11,752**
Intangibles and goodwill	(7,873)	1,744	—	**(6,129)**	(11,499)	6,310	(2,684)	**(7,873)**
Tax credits and other	(3,284)	131	93	**(3,060)**	(2,148)	(13)	(1,123)	**(3,284)**
Total deferred tax liability	**(11,157)**	**1,875**	**93**	**(9,189)**	**(13,647)**	**6,297**	**(3,807)**	**(11,157)**
Net carrying amount	**595**	**3,797**	**93**	**4,485**	**930**	**3,202**	**(3,537)**	**595**

Losses available for carryforward for which no deferred tax asset was recognized

Expiry date (1)	USA
	$
2037	13,307
Indefinite	16,315
	29,622

(1) Net operating losses amounting to $19,779,000 of which $13,307,000 will expire in 2037, are limited due to the U.S. tax rules applicable on the acquisition of Alithya USA, Inc. (formerly "Edgewater Technology Inc.") in the year end March 31, 2019. In addition, the Company has i) state losses amounting to $28,409,000 (with expiry dates ranging from 2022 to 2041) and ii) deductible temporary differences totaling $23,309,000 for which no deferred tax benefit has been recognized.

12. SHARE CAPITAL

AUTHORIZED

As at March 31, 2021 and 2020, the Company had an unlimited number of shares without par value as follows:

- Subordinate Voting Shares, carrying one vote per share, ranking *pari passu* with the Multiple Voting Shares as to the right to receive dividends and the remainder of the Company's property in the event of a voluntary or involuntary winding-up or dissolution, or any other distribution of assets among shareholders for the purposes of winding up the Company's affairs;
- Multiple Voting Shares, carrying ten votes per share, ranking *pari passu* with the Subordinate Voting Shares as to the right to receive dividends and the remainder of the Company's property in the event of a voluntary or involuntary winding-up or dissolution, or any other distribution of assets among shareholders for the purpose of winding-up the Company's affairs, each share being convertible at the holder's entire discretion into Subordinate Voting Shares on a share for share basis, and being automatically converted upon their transfer to a person who is not a permitted holder or upon the death of a permitted holder, unless otherwise acquired by any of the remaining permitted holders in accordance with the terms of the voting agreement entered into between permitted holders; and
- Preferred Shares, issuable in series, each series ranking *pari passu* with other series but prior to any class ranking junior thereto, as well as prior to Subordinate Voting Shares and Multiple Voting Shares as to the right to receive dividends, and the remainder of the Company's property in the event of a voluntary or involuntary winding-up or dissolution, or any other distribution of assets among shareholders for the purposes of winding up the Company's affairs. If and when issued, preferred shares will have such voting rights and conversion rights as may be determined by the Company's Board at the time of issuance thereof.

ISSUED

During the year ended March 31, 2021, the following transactions occurred:

- As part of the Matricis Acquisition (note 3), 157,882 Subordinate Voting Shares, with a total value of $600,000, reclassified from contributed surplus, were issued as settlement of the first anniversary share consideration rights;
- As part of the Travercent Acquisition (note 3), the Company elected not to convert the first anniversary share consideration rights into Subordinate Voting Shares but rather to settle for total cash consideration of US $975,000 ($1,276,175). This resulted in a repurchase of a vested equity instrument, which has been recorded as a reduction of retained earnings and contributed surplus in the amounts of $72,237 and $1,203,938, respectively. The Company continues to account for the December 13, 2021 and 2022 anniversary share consideration rights as an equity instrument;
- As part of the Askida Acquisition (note 3), 300,189 Subordinate Voting Shares, with a total value of $1,086,250 reclassified from contributed surplus, were issued as settlement of the first anniversary share consideration rights;
- 156,132 stock options were exercised and 3,500 Subordinate Voting Shares and 152,632 Multiple Voting Shares were issued with a value of $484,000, for cash consideration of $300,000, with $184,000 reclassified from contributed surplus; and
- 7,718 deferred share units ("DSU") were settled and 7,718 Subordinate Voting Shares were issued with an approximate value of $32,085, reclassified from contributed surplus.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

12. SHARE CAPITAL (CONT'D)

As at March 31, 2021, the issued share capital of the Company is as follows:

	Subordinate Voting Shares		Multiple Voting Shares	
	Number of shares	**$**	**Number of shares**	**$**
Beginning balance as at April 1, 2020	50,904,533	191,820	7,168,984	3,515
Share-based compensation on shares vested during the period, issued on business acquisitions	458,071	1,686	—	—
Exercise of stock options	3,500	14	152,632	470
Settlement of deferred share units	7,718	32	—	—
As at March 31, 2021	**51,373,822**	**193,552**	**7,321,616**	**3,985**

In addition, during the year ended March 31, 2021, the following share-based compensation was recognized:

- In relation to the Subordinate Voting Shares, to be issued as part of the Matricis Acquisition (note 3), an amount of $800,000;
- In relation to the Subordinate Voting Shares, to be issued as part of the Travercent Acquisition (note 3), an amount of $1,803,000; and
- In relation to the Subordinate Voting Shares, to be issued as part of the Askida Acquisition (note 3), an amount of $1,448,000.

During the year ended March 31, 2020, the following transactions occurred:

- As part of the Matricis Acquisition, 473,646 Subordinate Voting Shares, with a total value of $1,800,000, were issued as partial settlement of the acquisition;
- As part of the Travercent Acquisition, 1,274,510 Subordinate Voting Shares, with a total value of $3,870,000, were issued as partial settlement of the acquisition;
- As part of the Askida Acquisition, 600,384 Subordinate Voting Shares, with a total value of $2,172,500, were issued as partial settlement of the acquisition;
- 53,987 stock options were exercised and 53,987 Subordinate Voting Shares were issued with an approximate value of $201,000, for cash consideration of $165,000, with $36,000 reclassified from contributed surplus; and
- 5,514 DSU were settled and 5,514 Subordinate Voting Shares were issued with an approximate value of $23,000, reclassified from contributed surplus.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

12. SHARE CAPITAL (CONT'D)

As at March 31, 2020, the issued share capital of the Company is as follows:

	Subordinate Voting Shares		Multiple Voting Shares	
	Number of shares	$	Number of shares	$
Beginning balance as at April 1, 2019	48,496,492	183,346	7,168,984	3,515
Share-based compensation on shares vested during the period, issued on business acquisitions	—	407	—	—
Business acquisition of Matricis	473,646	1,800	—	—
Business acquisition of Travercent	1,274,510	3,870	—	—
Business acquisition of Askida	600,384	2,173	—	—
Exercise of stock options	53,987	201	—	—
Settlement of DSU	5,514	23	—	—
As at March 31, 2020	**50,904,533**	**191,820**	**7,168,984**	**3,515**

In addition, during the year ended March 31, 2020, the following share-based compensation was recognized:

- In relation to the Subordinate Voting Shares, to be issued as part of the Matricis Acquisition, an amount of $550,000;
- In relation to the Subordinate Voting Shares, to be issued as part of the Travercent Acquisition, an amount of $272,000;
- In relation to the Subordinate Voting Shares, to be issued as part of the Askida Acquisition, an amount of $639,000;
- As part of a previous year's business acquisition, ADT, Class A shares previously issued to employees as share-based compensation on the acquisition date vested during the period. The value of the vested shares for the year ended March 31, 2020 was $326,000; and
- As part of a previous year's business acquisition, Pro2p Services Conseils Inc. ("Pro2p"), Class A shares previously issued to employees as share-based compensation on the acquisition date vested during the period. The value of the vested shares for the year ended March 31, 2020 was $81,000.

Share purchase plan

Under the Company's share purchase plan, the Group contributes an amount equal to a percentage of the employee's basic contribution, depending on the position held by the employee. The employee may make additional contributions, for total employee contributions, including basic contributions, of up to 10% of the annual gross salary. However, the Group does not match contributions in the case of such additional contributions. The employee and the Group's contributions are remitted to an independent administrative agent who purchases Subordinate Voting Shares on the open market on behalf of the employee through either the TSX or NASDAQ. The Group's contribution expense is recognized as share-based compensation.

Long-Term Incentive Plan (the "Plan")

The Company operates a plan which provides for awards of stock options, restricted shares, restricted share units, performance share units, DSU, and share appreciation rights to eligible employees and directors of the Company and its subsidiaries, all of which once exercised or settled result in the issuance of Subordinate Voting Shares.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

12. SHARE CAPITAL (CONT'D)

Stock options

Under the Company's Plan, the Board may grant, at its discretion, stock options to purchase Subordinate Voting Shares to eligible employees and directors of the Company and its subsidiaries. The Board establishes the exercise price at the time the stock options are granted, where the exercise price must in all cases be not less than the greater of the closing price of such shares on the TSX and NASDAQ on the business day immediately prior to the grant date. Stock options vest, as set out in the applicable award agreement between the participant and the Company, which may include performance-based vesting conditions. Vesting is generally four years from the date of grant and the stock options may be exercised by the tenth anniversary of the grant date, except in the event of death, disability, retirement or termination of employment. The Plan provides that the aggregate number of Subordinate Voting Shares issuable pursuant to any type of awards under the Plan shall not exceed 10% of the aggregate number of Subordinate Voting Shares and Multiple Voting Shares issued and outstanding from time to time.

The following table presents information concerning stock option activity for the respective years:

As at	March 31, 2021		March 31, 2020	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
		$		$
Beginning balance as at April 1, 2020	3,172,289	3.72	2,623,542	3.80
Granted	755,000	2.26	970,500	3.63
Forfeited	(130,163)	4.93	(137,151)	4.88
Expired	(115,813)	5.93	(230,615)	3.66
Exercised	(156,132)	1.92	(53,987)	3.10
Ending balance as at March 31, 2021	**3,525,181**	**3.37**	**3,172,289**	**3.72**
Exercisable at year end	**1,580,444**	**3.44**	**1,513,789**	**3.43**

Included in the 1,580,444 and 1,513,789 of stock options exercisable as at March 31, 2021 and 2020, respectively, 810,528 and 863,160 stock options are available to purchase Multiple Voting Shares as at March 31, 2021 and 2020, respectively.

During the year ended March 31, 2021, the Company issued the following stock options:

- On June 23, 2020, Alithya issued 570,000 and 185,000 stock options, to purchase a total of 755,000 Subordinate Voting Shares at an exercise price of $2.26 and US$1.67, respectively.

The weighted average share price per share of the stock options exercised was $3.10.

During the year ended March 31, 2020, the Company issued the following stock options:

- On June 21, 2019, Alithya issued 435,000 and 190,500 stock options, to purchase a total of 625,500 Subordinate Voting Shares, subject to terms set out in the grant letters at an exercise price of $3.64 and US$2.76, respectively;
- On August 16, 2019, Alithya issued 85,000 and 95,000 stock options, to purchase a total of 180,000 Subordinate Voting Shares, subject to terms set out in the grant letters at a weighted average exercise price of $3.65 and US$2.78, respectively; and
- On December 18, 2019, Alithya issued 165,000 stock options, to purchase a total of 165,000 Subordinate Voting Shares subject to terms set out in the grant letters at an exercise price of US$2.64.

The weighted average share price per share of the stock options exercised was $3.85.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

12. SHARE CAPITAL (CONT'D)

The following tables summarize the number of stock options outstanding by currency, exercise price and the weighted average remaining exercise period, expressed in number of years:

As at	March 31, 2021		March 31, 2020	
Exercise price (CAD)	**Number of options**	**Weighted average remaining exercise period – in years**	**Number of options**	**Weighted average remaining exercise period – in years**
$				
1.90	210,528	2.50	363,160	2.45
1.92	100,000	1.00	100,000	2.00
2.21	115,000	3.02	115,000	4.02
2.26	570,000	9.23	—	—
2.46	100,000	2.00	100,000	3.00
2.87	120,000	4.09	120,000	5.09
2.96	182,500	5.01	186,000	6.01
3.29	—	—	2,000	6.67
3.64	418,000	8.23	418,000	9.23
3.65	85,000	1.37	85,000	2.38
3.80	227,500	6.14	249,500	7.14
3.90	20,000	7.88	20,000	8.88
4.50	459,000	7.59	463,000	8.59
	2,607,528	6.30	**2,221,660**	**6.12**

As at	March 31, 2021		March 31, 2020	
Exercise price range (USD)	**Number of options**	**Weighted average remaining exercise period – in years**	**Number of options**	**Weighted average remaining exercise period – in years**
$				
1.67 to 2.25	185,000	9.24	—	—
2.26 to 3.85	532,550	6.98	599,960	7.98
3.86 to 4.45	20,856	0.89	23,240	1.74
4.59 to 4.85	47,672	0.49	154,141	1.10
4.90 to 5.45	131,575	1.00	173,288	2.42
	917,653	6.09	**950,629**	5.70

12. SHARE CAPITAL (CONT'D)

DSU

Under the Plan, the Board, subject to the provisions of the Plan and such other terms and conditions, may grant DSU to obtain Subordinate Voting Shares to qualified employees and directors of the Company and its subsidiaries. The DSU shall be settled on the date as set out in the applicable award agreement, between the participant and the Company, however not earlier than the participant's termination date. If the agreement does not establish a settlement date then it shall be the 90th day following the participant's termination date for eligible Canadian participants and not earlier than the date that is six months after the termination date for eligible U.S. participants.

During the year ended March 31, 2021, the Company issued the following fully vested DSU:

- On June 30, 2020, September 30, 2020, December 31, 2020 and March 31, 2021, 66,840, 46,405, 48,241 and 35,593 fully vested DSU, respectively, in aggregate, were granted to non-employee directors of the Company at a fair value of $2.10, $2.89, $2.78 and $3.22, respectively, per DSU, for an aggregate fair value of $140,364, $134,110, $134,110 and $114,609, respectively. The amounts have been recorded in share-based compensation expense.

During the year ended March 31, 2020, the Company issued the following fully vested DSU:

- On September 30, 2019, December 31, 2019 and March 31, 2020, 20,937, 22,299 and 53,370 fully vested DSU, respectively, in aggregate, were granted to non-employee directors of the Company at a fair value of $3.97, $3.66 and $2.63, respectively, per DSU, for an aggregate fair value of $83,120, $81,614 and $140,363, respectively. The amounts have been recorded in share-based compensation expense.

Restricted Share Units ("RSU")

Under the Plan, the Board, subject to the provisions of the Plan and such other terms and conditions, may grant RSU to obtain Subordinate Voting Shares to qualified employees and directors of the Company and its subsidiaries. The RSU shall vest on the third anniversary of the date of grant and will settle as soon as practicable following the expiry of the vesting period, unless otherwise specified by the Board at the time of grant.

On June 23, 2020, 181,498 RSU, in aggregate, vesting one year from the date of grant, were granted to employees of the Company subject to the terms set out in the award agreement at a fair value of $2.26, per RSU, for an aggregate fair value of $410,000. Share-based compensation expense for the year ended March 31, 2021 amounted to $314,000.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

12. SHARE CAPITAL (CONT'D)

Share-Based Compensation

The number of Alithya stock options granted to employees during the year, the related compensation expense recorded, and the assumptions used to determine share-based compensation expense, using the Black-Scholes stock option pricing model, were as follows:

Year ended	March 31,	
	2021	**2020**
Compensation expense related to the options granted	156	318
Number of stock options granted	755,000	970,500
Weighted average fair value of options granted	$0.81	$1.13
Aggregate fair value of options granted	609	1,096
Weighted average assumptions		
Share price	$2.26	$3.63
Exercise price	$2.26	$3.63
Risk-free interest rate	0.46%	1.79%
Expected volatility*	34.9%	30.0%
Dividend yield	—	—
Expected option life (years)	6.6	5.7
Vesting conditions – time (years)	3.3	2.7

** Determined on the basis of observed volatility in publicly traded companies operating in similar industries.*

Total share-based compensation expense for the years ended March 31, 2021 and 2020 is summarized as follows:

Year ended	March 31,	
	2021	**2020**
	$	**$**
Stock option plan	700	745
Share purchase plan – employer contribution	653	633
Share-based compensation on shares vested during the period, issued on business acquisitions	4,051	1,868
Deferred share units	523	305
Restricted share units	314	—
	6,241	**3,551**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

13. COMMITMENTS AND CONTINGENCIES

Contingencies

From time to time, the Group may become involved in various claims and litigation as part of its normal course of business. While the final outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on the Group's financial position and results of operations. Claims for which there is a probable unfavorable outcome are recorded in provisions.

Operating commitments

Operating expenditures contracted for at the end of the reporting period but not yet incurred are as follows:

Year ended	**March 31, 2021**
Technology licenses, infrastructure and other	**Total**
2022	2,143
2023	462
2024	270
2025	156
Thereafter	82
	3,113

14. RELATED PARTIES

Ultimate controlling party

As at March 31, 2021, the holders of Multiple Voting Shares, directly or indirectly, collectively owned or exercised control over Subordinate Voting Shares and Multiple Voting Shares representing approximately 59.01% of the total voting rights of Alithya. The holders have entered into a voting agreement on November 1, 2018, pursuant to which they agreed to, among other things, vote all of the Subordinate Voting Shares and Multiple Voting Shares under their control in accordance with decisions made by a majority of them, subject to certain exceptions.

Transactions with directors and key management personnel

Key management includes members of the Group's Executive Committee. Certain key management of Alithya participate in the share purchase plan and the stock options plan. The compensation paid or payable to directors and to key management for services is shown below:

Year ended	**March 31,**	
	2021	**2020**
Director compensation, and key management salaries and benefits*	4,427	4,058
Share-based compensation	1,273	680
	5,700	4,738

* *Salaries and benefits include short-term incentive compensation.*

In addition to the above amounts, the Group is committed to pay incremental benefits to certain members of key management up to $5,450,000 (2020 - $4,633,000) in the event of change of control or termination without cause.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

14. RELATED PARTIES (CONT'D)

Operating transactions with shareholders exercising significant influence

During the year ended March 31, 2020, in the normal course of operations, the Group concluded certain transactions with shareholders exercising significant influence. The transactions resulted in consulting fee revenue of $24,554,274 and employee benefits of $41,300 for the year ended March 31, 2020 along with trade accounts receivables of $6,718,000 and trade accounts payable of $153,000 as at March 31, 2020. The transactions have been recorded at the exchange amount, which represents the contractual amount of consideration established and accepted by the related parties. There were no such transactions during the year ended March 31, 2021.

15. EARNINGS PER SHARE

	March 31,	
	2021	**2020**
	$	**$**
Net loss	(17,338)	(39,667)
Weighted average number of common shares outstanding	58,209,375	56,399,499
Basic and diluted loss per share	**(0.30)**	**(0.70)**

The stock options mentioned in note 12 were not included in the calculation of diluted earnings per share since the Company suffered losses and the inclusion of these stock options would have an antidilutive effect.

16. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

As at	**March 31, 2021**			**March 31, 2020**			
	Current portion of long-term debt	**Long-term debt**	**Total**	**Line of credit and demand loan**	**Current portion of long-term debt**	**Long-term debt**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Beginning balance	**1,143**	**52,086**	**53,229**	**—**	**1,000**	**27,305**	**28,305**
Repayment	—	(49,867)	**(49,867)**	(3,153)	(4,273)	(50,136)	**(57,562)**
Proceeds	—	53,471	**53,471**	—	2,517	61,576	**64,093**
Total cash flow	**—**	**3,604**	**3,604**	**(3,153)**	**(1,756)**	**11,440**	**6,531**
Acquisitions	—	—	—	3,153	1,105	11,856	**16,114**
Amortization of finance costs	—	242	242	—	—	231	**231**
Interest accretion on balances of purchase payable	—	835	835	—	—	318	**318**
PPP loan forgiveness	—	(1,898)	(1,898)	—	—	—	**—**
Impacts of foreign exchange	270	(1,331)	(1,061)	—	—	1,730	**1,730**
Reclassification Credit Facility (note 10)	31,023	(31,023)	—	—	—	—	**—**
Reclassification other long-term debt	2,698	(2,698)	—	—	794	(794)	—
Total non cash	**33,991**	**(35,873)**	**(1,882)**	**3,153**	**1,899**	**13,341**	**18,393**
Ending balance	**35,134**	**19,817**	**54,951**	**—**	**1,143**	**52,086**	**53,229**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

17. ADDITIONAL INFORMATION ON CONSOLIDATED LOSS

The following table provides additional information on the consolidated loss:

	March 31,	
As at	**2021**	**2020**
	$	**$**
Revenue – contingent rental [1]	—	1,532
Employee compensation costs	210,800	194,678
Government assistance		
- tax credits [2]	(6,737)	(4,815)
- grants and loan forgiveness [3]	(6,530)	—
Selling expenses [4]	46,271	44,084
General and administrative expenses [4]	35,452	32,698
Depreciation of property and equipment	1,861	1,278
Depreciation of right-of-use assets	1,906	2,090

[1] *The Company acted as a lessor in operating leases related to the use of premises.*

[2] *Included in cost of sales*

[3] *$5,362,516 and $1,167,658 are included in cost of sales and selling, general and administrative expenses, respectively.*

[4] *Including related employee compensation costs.*

Certain subsidiaries within the Group have applied for COVID-19 financial relief in Canada under the Canada Emergency Wage Subsidy ("CEWS") program. The CEWS program is a wage subsidy program launched by the Canadian federal government to qualifying employers to subsidize payroll costs during the COVID-19 pandemic. The qualified subsidy amounts received under the CEWS program are non-repayable. During the year ended March 31, 2021, the subsidiaries recorded, as government grants, subsidies in the amount of $4,000,953.

During the year ended March 31, 2021, Alithya France SAS (formerly Alithya Consulting SAS), a subsidiary located in France, received €410,600 ($631,706), as government grants, pursuant to the French government's partial activity program. The program is subject to certain annual limits per employee.

18. FINANCIAL EXPENSES

The following table summarizes financial expenses:

	March 31,	
As at	**2021**	**2020**
	$	**$**
Interest on long-term debt	1,185	1,155
Interest and financing charges	448	306
Interest on lease liabilities	595	375
Amortization of finance costs	242	231
Interest accretion on balances of purchase payable	835	318
Interest income	(31)	(38)
	3,274	2,347

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

19. SUPPLEMENTARY CASH FLOW INFORMATION

Net change in non-cash working capital items is as follows:

	March 31,	
As at	**2021**	**2020**
	$	**$**
Accounts receivable and other receivables	(5,289)	7,622
Income taxes receivable	1,450	(407)
Unbilled revenue	(2,154)	2,200
Tax credits receivable	28	185
Prepaids	(944)	377
Accounts payable and accrued liabilities	5,504	(4,673)
Deferred revenue	1,319	435
	(86)	5,739

For the year ended March 31, 2021 non-cash investing and financing activities included the acquisition of leasehold improvements from the lessor as lease incentives in an amount of $1,325,922 (2020 - $1,249,462).

20. SEGMENT AND GEOGRAPHICAL INFORMATION

The Company has examined its activities and has determined that, based on information received on a regular basis by the decision-makers, that it has one reportable segment.

Revenues by geographic location

The following table presents total external revenues by geographic location:

	March 31,			
	2021		**2020**	
	$	**%**	**$**	**%**
Canada	162,764	56.6	147,821	53.0
U.S.	114,608	39.8	118,125	42.3
Europe	10,271	3.6	13,061	4.7
	287,643	**100.0**	**279,007**	**100.0**

Long-lived assets by geographic location

The following table presents the total net book value of the Group's long-lived assets by geographic location:

As at	March 31,			
	2021		**2020**	
	$	**%**	**$**	**%**
Canada	62,172	48.2	64,143	43.3
U.S.	65,784	51.0	82,607	55.8
Europe	1,107	0.8	1,326	0.9
	129,063	**100.0**	**148,076**	**100.0**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

20. SEGMENT AND GEOGRAPHICAL INFORMATION (CONT'D)

During the year ended March 31, 2021 one client generated more than 10% of total revenue for $30,297,727 of total revenue (no client generated more than 10% of total revenue in 2020).

An analysis of the Group's revenue from customers for each major service category is as follows:

	March 31,			
	2021		2020	
	$	%	$	%
System integration and consulting services	278,341	96.8	270,345	96.9
Payrolling services	1,241	0.4	1,289	0.5
Software revenue	8,061	2.8	7,373	2.6
	287,643	**100.0**	**279,007**	**100.0**

21. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of cash, restricted cash, accounts receivable and other receivables, trade accounts payable and accrued liabilities and long-term debt and lease liabilities. The Group, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management and Board are responsible for setting risk levels and reviewing risk management activities as they determine necessary.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fluctuations in interest rates with respect to its variable rate on its Credit Facility. The interest rate risk profile of the Group's interest-bearing financial instruments was as follows:

As at	March 31,	
	2021	2020
	$	$
Variable rate financial instruments		
Credit Facility (note 10)	31,023	37,615
Other long-term debt (note 10)	213	347
	31,236	**37,962**

For the year ended March 31, 2021, the Group has determined that a reasonably possible increase or decrease of 100 basis point in interest rates of the above variable-rate financial liabilities would not have a significant impact on equity and profit or loss. This analysis assumes that all other variables remain constant, in particular foreign currency exchange rates. It has been performed on the same basis for the year ended March 31, 2020.

The Group does not account for any fixed rate financial liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect equity and profit or loss.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

21. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's activities are financed through a combination of cash flows from operations, borrowings under existing credit facilities, issuance of debt and issuance of equity. As a result of the effect of COVID-19, unanticipated pressures may occur on liquidity. In order to manage its exposure to liquidity risk, the Group's primary goal is to maintain an optimal level of liquidity through an active management of assets and liabilities as well as cash flows. As at March 31, 2021, the Group has an unused capacity of $23,976,000 (2020 - $22,000,000) under its authorized secured senior revolving credit facility of $60,000,000 (2020 - $60,000,000).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities.

As at	**March 31, 2021**					
	Carrying amount	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	27,674	27,674	27,674	—	—	—
Credit Facility	31,023	32,008	32,008	—	—	—
Balances of purchase payable, non-interest bearing	15,519	16,739	3,259	13,480	—	—
Other liabilities (included in long-term debt)	213	213	213	—	—	—
Lease liabilities	15,459	17,866	2,482	2,602	6,756	6,026
	89,888	**94,500**	**65,636**	**16,082**	**6,756**	**6,026**

As at	**March 31, 2020**					
	Carrying amount	**Total**	**1 year or less**	**1-2 years**	**2-5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	28,970	28,970	28,970	—	—	—
Credit Facility	37,615	39,775	1,178	38,597	—	—
Balances of purchase payable, non-interest bearing	15,609	17,006	1,000	3,259	12,747	—
Other liabilities (included in long-term debt)	347	347	126	101	120	—
Lease liabilities	13,232	16,091	2,020	2,018	6,464	5,589
	95,773	**102,189**	**33,294**	**43,975**	**19,331**	**5,589**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

21. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At March 31, 2021 and 2020, the Group's credit risk exposure consists mainly of the carrying amount of cash held with major Canadian banks, accounts receivable and other receivables, and unbilled revenue. The carrying amounts of financial assets and unbilled revenue represent the maximum credit exposure.

Impairment losses recognized in profit or loss is not significant both in 2021 and 2020.

The credit risk in respect of cash balances is minimal as they are held with reputable financial institutions.

With respect to accounts receivable and unbilled revenue, the Group is exposed to a concentration of credit risk on significant customers operating in Canada, as identified in note 4. However, this credit risk exposure is mitigated by the relative size and nature of the business carried on by such customers. Also, the Group has a large and diversified client base from clients engaged in various industries, including banks with high credit-rating, government agencies, telecommunications and retails. Historically, the Group has not made any significant write-offs. Notwithstanding the impact of COVID-19, the Group's credit risk exposure remains relatively low. A substantial portion of accounts receivable and unbilled revenues are with customers who operate in industries for which credit risk has not increased significantly following the pandemic. However, if a key customer experiences financial difficulties or fails to comply with its contractual obligations which may occur as the pandemic continues, this could result in a significant financial loss to the Group.

In order to manage its exposure to credit risk and assess credit quality, the Group established a credit policy under which collection of accounts receivable is a priority. Each new customer is analyzed individually for creditworthiness before the Group enters into contract. The financial stability and liquidity of customers are assessed on a regular basis, which included the review of default risk associated with the industry in which customers operate. The Group also limits its exposure by setting credit limits when deemed necessary. No significant adjustments were made to allowance for doubtful accounts in connection with this assessment.

For both 2021 and 2020, allowance for credit losses was not significant.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which cash, accounts receivables and other receivables, accounts payables and accrued liabilities and borrowings are denominated and the respective functional currencies of Group's companies. The currencies in which these financial instruments are mainly denominated is USD. Other currencies have no significant impact on the Group's exposure to currency risk.

The summary quantitative data about the Group's exposure to currency risk for the significant exchange rates is as follow, expressed in Canadian dollars:

As at	March 31,	
	2021	2020
	USD	USD
Cash	681	1,258
Accounts receivable and other receivables	243	532
Accounts payable and accrued liabilities	(1,609)	(1,333)
Credit Facility	(4,023)	(19,765)
Net statement of financial position exposure	**(4,708)**	**(19,308)**

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

21. FINANCIAL INSTRUMENTS (CONT'D)

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the USD/Canadian dollars exchange rate 'all other things being equal'. It assumes a +/- 17% change of the USD/Canadian dollars exchange rate for the year ended March 31, 2021 (2020: +/-8%). This percentage has been determined based on the average market volatility in exchange rate in the previous twelve months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

			Profit or loss	
Effect in Canadian dollar			**Strengthening**	**Weakening**
As at March 31, 2021				
USD	17%	Movement	(631)	631
As at March 31, 2020				
USD	8%	Movement	(1,087)	1,087

Fair Value of Financial Instruments

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Valuation based on quoted prices observed in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Valuation techniques with significant unobservable market inputs. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The fair value of the long-term debt is estimated by discounting expected cash flows at rates that would be currently offered to the Group for debts of the same remaining maturities and conditions (level 2). For both 2021 and 2020, the Group has determined that the fair value of the Credit Facility and the balance of purchase payable are not significantly different than their carrying amount of $31,023,000 and $15,519,000 as at March 31, 2021, respectively ($37,615,000 and $15,609,000 as at March 31, 2020, respectively).

22. CAPITAL DISCLOSURES

The Group's capital consists of cash, restricted cash, long-term debt and total shareholders' equity. The Group's main objectives when managing capital are:

- to provide a strong capital base in order to maintain shareholder, creditor and stakeholder confidence and to sustain future growth development of the business;
- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations;
- to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions; and
- to provide a rewarding return on investment to shareholders.

(Tabular amounts are in thousands of Canadian dollars, except share and per share data in tables)

22. CAPITAL DISCLOSURES (CONT'D)

In managing its capital structure, the Group monitors performance throughout the year to ensure anticipated working capital requirements and maintenance capital expenditures are funded from operations, available cash and, where applicable, bank borrowings. Alithya manages its capital structure and may make adjustments to it, in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, the Group may purchase shares from existing shareholders, issue new shares, issue new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt. Total capital as at March 31, 2021 and 2020 is calculated as follows:

As at	**March 31,**	
	2021	**2020**
	$	**$**
Cash	(6,903)	(8,810)
Restricted cash	(3,233)	(2,212)
Current portion of long-term debt	35,134	1,143
Long-term debt	19,817	52,086
Share capital	197,537	195,335
Deficit	(96,190)	(78,780)
Accumulated other comprehensive income	(508)	6,123
Contributed surplus	7,173	4,691
	152,827	**169,576**

The Group monitors capital using a number of financial metrics, including but not limited to:

- the senior debt to adjusted EBITDA (as defined further herein) ratio, defined as senior debt to 12-month trailing adjusted EBITDA (as defined in the Credit Facility);
- the total debt to adjusted EBITDA ratio, defined as total debt to 12-month trailing adjusted EBITDA; and
- the fixed charge coverage ratio, defined as adjusted EBITDA minus taxes, distributions and capital expenditures to aggregate interest expense and regular scheduled principal repayments.

The Group uses operating income, Adjusted EBITDA (defined as earnings before interest, income taxes, depreciation, amortization, share-based compensation and non-recurring costs) and Free Cash Flow (defined as operating cash flows less additions to property and equipment, and additions to intangibles other than business combinations) as measurements to monitor operating performance. EBITDA and Free Cash Flow, as presented, are not recognized for financial statement presentation purposes under IFRS, and do not have a standardized meaning. Therefore, they are not likely to be comparable to similar measures presented by other entities.

The continued availability of the Credit Facility is subject to the Group's ability to maintain certain senior debt, debt service and fixed charge coverage covenants, as well as other affirmative and negative covenants, including certain limitations of distributions in the form of dividends or equity repayments in any given fiscal year, as set out in the credit agreement.

The Group is subject to financial covenants pursuant to the credit facility agreement, which are measured on a quarterly basis. The covenants are senior debt to adjusted EBITDA, total debt to adjusted EBITDA and fixed charge coverage ratios. The Group was in compliance with all such covenants at March 31, 2021 and 2020.

23. SUBSEQUENT EVENT

On April 1, 2021, the Company acquired all of the outstanding shares of R3D Consulting Inc. (now Alithya IT Services Inc.), a private Quebec firm that specializes in digital solutions. Subject to customary post-closing purchase price adjustments, the purchase price was paid by the issuance of 25,182,676 Subordinate Voting Shares of the Company, at a value of $3.20 per share, which was the closing share price on the TSX on April 1, 2021, cash of $978,180 and assumed long-term debt of $8,931,839 on the closing date. The accounting for this acquisition and the purchase price allocation have not yet been finalized due to the timing of the acquisition.