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

CONSTELLATION SOFTWARE INC.

Three months ended March 31, 2008 and 2007
(Unaudited)

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Constellation Software Inc. (the "Company") and the accompanying consolidated balance sheet, consolidated statement of deficit, and consolidated statement of comprehensive income as at March 31, 2008, the interim consolidated statement of operations and consolidated statement of cash flows for the three months ended March 31, 2008, are the responsibility of the Company's management. These consolidated financial statements have been reviewed on behalf of the shareholders by the independent external auditors of the Company, KPMG LLP.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with accounting principles generally accepted in Canada.

Mark Leonard	John Billowits
President	Chief Financial Officer
Toronto, Canada	Toronto, Canada
May 7, 2008	May 7, 2008

CONSTELLATION SOFTWARE INC.

Interim Consolidated Balance Sheets
(In thousands of U.S. dollars)

	March 31, 2008	December 31, 2007
	(Unaudited)	
Assets		
Current assets:		
Cash	$ 11,422	$ 19,796
Restricted cash	750	750
Short-term investments and marketable securities available for sale (note 4)	8,462	1,217
Accounts receivable	53,270	47,177
Work in progress	9,812	10,839
Inventory	2,292	2,069
Prepaid expenses and other current assets	8,652	7,608
Investment tax credit receivable	1,232	661
Future income taxes (note 9)	1,128	1,096
	97,020	91,213
Property and equipment	7,835	8,025
Future income taxes (note 9)	3,646	3,890
Notes receivable	3,518	3,490
Share purchase warrants	571	571
Investment tax credit receivable	1,512	1,779
Other long-term assets	627	643
Intangible assets (note 6)	121,314	128,942
Goodwill	33,975	28,594
	$ 270,018	$ 267,147
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7)	$ 22,642	$ 19,342
Accounts payable and accrued liabilities	34,544	43,892
Acquisition holdback payments	9,898	10,442
Deferred revenue	89,230	78,870
Income taxes payable	2,430	3,426
Future income taxes (note 9)	201	347
	158,945	156,319
Future income taxes (note 9)	21,671	21,238
Acquisition holdback payments	1,195	1,000
Other long-term liabilities	1,570	1,708
Shareholders' equity:		
Capital stock	99,283	99,283
Shareholder loans (note 8)	(1,468)	(1,915)
Accumulated other comprehensive loss (note 15)	(4,444)	(3,237)
Deficit	(6,734)	(7,249)
	86,637	86,882
Subsequent events (note 16)		
	$ 270,018	$ 267,147

See accompanying notes to interim consolidated financial statements.

CONSTELLATION SOFTWARE INC.

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

	Three months ended March 31, 2008	Three months ended March 31, 2007
	(Unaudited)	
Revenue	$ 73,603	$ 55,893
Cost of revenue	28,627	21,516
	44,976	34,377
Research and development	11,630	8,910
Sales and marketing	8,041	7,042
General and administration	12,799	10,036
Depreciation	785	692
	33,255	26,680
Income before the undernoted	11,721	7,697
Amortization of intangible assets	8,096	4,434
Gain on sale of short-term investments, marketable securities and other assets	(48)	(234)
Interest expense (income), net	163	(115)
Foreign exchange (gain) loss	(471)	7
Income before income taxes	3,981	3,605
Income taxes (recovery) (note 9):		
Current	961	1,157
Future	(1,309)	(154)
	(348)	1,003
Net income	$ 4,329	$ 2,602
Income per share (note 10):		
Basic	$ 0.21	$ 0.12
Diluted	0.20	0.12
Weighted average number of shares outstanding (note 10):		
Basic	21,113	21,093
Diluted	21,192	21,192
Outstanding at the end of the period	21,192	21,192

See accompanying notes to interim consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Interim Consolidated Statements of Deficit
(In thousands of U.S. dollars)

	Three months ended March 31, 2008	Three months ended March 31, 2007
	(Unaudited)	
Deficit, beginning of period	$ (7,249)	$ (15,180)
Net income	4,329	2,602
Dividends	(3,814)	(3,179)
Deficit, end of period	$ (6,734)	$ (15,757)

Interim Consolidated Statements of Comprehensive Income
(In thousands of U.S. dollars)

	Three months ended March 31, 2008	Three months ended March 31, 2007
	(Unaudited)	
Net income	$ 4,329	$ 2,602
Other comprehensive income (loss)	(1,292)	832
Comprehensive income	$ 3,037	$ 3,434

See accompanying notes to interim consolidated financial statements.

CONSTELLATION SOFTWARE INC.

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

	Three months ended March 31, 2008	2007
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 4,329	$ 2,602
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation	785	692
Amortization of intangible assets	8,096	4,434
Accretion interest	29	–
Future income taxes	(1,309)	(154)
Gain on sale of short-term investments, marketable securities and other assets	(48)	(234)
Unrealized foreign exchange gain	(245)	(16)
Change in non-cash operating working capital (note 14)	(7,782)	(8,922)
Cash flows from (used in) operating activities	3,855	(1,598)
Cash flows from financing activities:		
Decrease in long-term liabilities	(138)	(230)
Increase in bank indebtedness	3,300	2,422
Dividends	(3,814)	(3,179)
Issuance of shareholder loans	–	(447)
Repayment of shareholder loans, net	447	792
Cash flows used in financing activities	(205)	(642)
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired (note 5)	(3,212)	(14,617)
Reduction (additions) to short-term investments, marketable securities and other assets	(8,405)	801
Decrease in restricted cash	–	858
Decrease (increase) in other assets	226	(310)
Property and equipment purchased	(513)	(517)
Cash flows used in investing activities	(11,904)	(13,785)
Effect of currency translation adjustment on cash and cash equivalents	(120)	26
Decrease in cash and cash equivalents	(8,374)	(15,999)
Cash, beginning of period	19,796	25,807
Cash, end of period	$ 11,422	$ 9,808

See accompanying notes to interim consolidated financial statements.

1. Basis of presentation:

The accompanying unaudited condensed interim consolidated financial statements (the "Interim Consolidated Financial Statements") include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant inter-company transactions and balances have been eliminated. During the three months ended March 31, 2008, the Company completed certain acquisitions as described in note 5 to the Interim Consolidated Financial Statements. The results of operations of these acquired companies have been included in these Interim Consolidated Financial Statements from the dates of acquisition.

These Interim Consolidated Financial Statements are expressed in U.S. dollars and are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and reflect all adjustments consisting only of normal adjustments which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods presented. These Interim Consolidated Financial Statements are based upon accounting policies and methods of their application that are consistent with those used and described in the Company's annual consolidated financial statements, except as described in note 2. The Interim Consolidated Financial Statements do not include all of the financial statement disclosures included in the annual financial statements prepared in accordance with Canadian GAAP and, therefore, should be read in conjunction with the 2007 consolidated financial statements and notes.

2. Changes in accounting policies:

(a) Capital disclosures:

Effective January 1, 2008, the Company adopted the recommendations included in the Canadian Institute of Chartered Accountants (“CICA”) Handbook, Section 1535, Capital Disclosures. The new standard requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company’s objectives, policies and processes for managing capital.

2. Changes in accounting policies (continued):

(b) Financial instruments - disclosures:

On January 1, 2008, the Company adopted CICA Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation.

Section 3862 requires disclosure about the significance of financial instruments for an entity's financial position, the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives.

Section 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation.

The additional disclosures, required as a result of adoption of these standards, have been included in Note 11, Capital risk management and Note 12, Financial risk management and financial instruments.

(In thousands of U.S. dollars, except per share amounts)

3. Changes in accounting policies not yet adopted:

The following accounting pronouncements have been released but have not yet been adopted by the Company.

(a) International Financial Reporting Standards:

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact on the transition to IFRS on the Company's financial statements is not yet determinable.

(b) Goodwill and Intangible Assets:

In 2008, the CICA issued Handbook Section 3064 "Goodwill and Intangible Assets". Section 3064 replaces Section 3062 "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2009. The Company is currently assessing the impact of the new standard.

4. Short-term investments and marketable securities:

At March 31, 2008, the Company held investments in three public companies listed in the U.K. and U.S., all of which develop and sell software solutions.

	March 31, 2008		December 31, 2007	
	Cost	Market value	Cost	Market value
Common shares	$ 9,754	$ 8,462	$ 1,303	$ 1,217

(In thousands of U.S. dollars, except per share amounts)

5. Business acquisitions:

2008

(a) During the three months ended March 31, 2008, the Company made three acquisitions for aggregate net cash consideration of $2,689 plus cash holdbacks of $595 resulting in total consideration of $3,284. The holdbacks are payable over a two-year period and are adjusted for any claims under the representations and warranties of the agreements. The acquisitions have been accounted for using the purchase method with the results of operations included in these consolidated financial statements from the date of each acquisition. The following table summarizes the aggregate preliminary estimated fair value of the assets acquired and liabilities assumed at the date of each acquisition:

Assets acquired:	
Current assets	$ 554
Property and equipment	81
Intangibles	5,304
	5,939
Liabilities assumed:	
Current liabilities	47
Deferred revenue	660
Future income tax liability	1,948
	2,655
Total purchase price consideration	$ 3,284

The Company has determined that it acquired technology and customer relationships. The Company is in the process of determining the fair value of the intangible assets acquired.

(In thousands of U.S. dollars, except per share amounts)

5. Business acquisitions (continued):

2007

(b) PG Govern QC Inc. ("PG"):

On March 1, 2007, the Company acquired the assets and shares of PG for net cash consideration of $13,112 on closing plus a holdback of $2,228 resulting in total consideration of $15,340. The holdback is expected to be paid out as assets are converted into cash, subject to no claims under the representations and warranties of the agreement. The acquisition has been accounted for by the purchase method with the results of operations included in these consolidated financial statements from the date of acquisition. The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:	
Current assets	$ 8,115
Property and equipment	1,030
Other long-term assets	2,212
Technology assets	16,694
Customer assets	4,346
Backlog	767
	33,164
Liabilities assumed:	
Current liabilities	8,441
Deferred revenue	7,068
Future income tax liability	1,533
Other long-term liabilities	782
	17,824
Total purchase price consideration	$ 15,340

(In thousands of U.S. dollars, except per share amounts)

5. Business acquisitions (continued):

(c) Other acquisitions:

During the three months ended March 31, 2007, the Company made two other acquisitions for aggregate net initial cash consideration of $705 plus holdbacks of $233 resulting in total consideration of $938. All holdbacks have subsequently been paid ($107 during the three months ended March 31, 2008). The acquisitions have been accounted for using the purchase method with the results of operations included in these consolidated financial statements from the date of each acquisition. The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of each acquisition:

Assets acquired:	
Current assets	$ 79
Property and equipment	22
Technology assets	711
Customer assets	560
	1,372
Liabilities assumed:	
Current liabilities	11
Deferred revenue	423
	434
Total purchase price consideration	$ 938

(d) 2007 Holdbacks:

During the three months ended March 31, 2008, holdbacks of $416 relating to acquisitions made in the second and third quarters of 2007 came due and were paid.

(In thousands of U.S. dollars, except per share amounts)

6. Intangible assets:

			March 31, 2008	December 31, 2007
	Cost	Accumulated amortization	Net book value	Net book value
Technology assets	$ 136,809	$ 56,617	$ 80,192	$ 71,866
Non-compete agreements	1,680	1,643	37	91
Customer assets	25,861	8,846	17,015	15,175
Trademarks	133	96	37	40
Backlog	1,567	1,033	534	128
Contract related assets	549	48	501	549
Other	23,863	865	22,998	41,093
	$ 190,462	$ 69,148	$ 121,314	$ 128,942

Note: "Other" includes intangible assets, customer assets, and backlog relating to certain acquisition preliminary purchase price allocations. The allocations will be finalized in 2008.

7. Credit facilities:

The Company has an operating line-of-credit with a Canadian charter bank in the amount of $50,000 (December 31, 2007 - $50,000). The line-of-credit bears a variable interest rate and is due in full November 16, 2010. It is secured by a general security agreement covering the majority of the assets of the Company and its subsidiaries, and is subject to various standard debt covenants. As at March 31, 2008, $22,642 (December 31, 2007 - $19,342) had been drawn from this credit facility, and letters of credit totalling $6,978 (December 31, 2007 - $7,186) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Interest expense paid on the line-of-credit for the three months ended March 31, 2008 totalled $404.

(In thousands of U.S. dollars, except per share amounts)

8. Shareholder loans:

Share purchase loans receivable of $1,468 (December 31, 2007 - $1,915) under the Company's share purchase plan are included as a reduction of shareholders' equity. Interest rates on these loans range from 5.0% to 6.5% depending on the year the loan was advanced. The balances outstanding are secured by the shares for which they were used to purchase.

The following table summarizes the shareholder loan activity for the period:

Balance at December 31, 2007	$ 1,915
Issuance of shareholder loans	–
Repayment of shareholder loans	(469)
Interest	22
Balance, March 31, 2008	$ 1,468

9. Income taxes:

The Company operates in various tax jurisdictions, and accordingly, the Company's income is subject to varying rates of tax. Losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. The Company's ability to use income tax losses and future income tax deductions is dependent upon the profitable operations of the Company in the tax jurisdictions in which such losses or deductions arise. As of March 31, 2008, the Company had total net future tax assets of $4,774 (December 31, 2007 - $4,986) and total future tax liabilities of $21,872 (December 31, 2007 - $21,585).

In assessing the valuation of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the years in which the temporary differences are deductible. Management considers the scheduled reversals of future income tax liabilities, the character of the income tax assets, and tax planning strategies in making this assessment. To the extent that management believes that the realization of the future income tax assets does not meet the more likely than not realization criterion, a valuation allowance is recorded against the future tax assets.

(In thousands of U.S. dollars, except per share amounts)

10. Income per share:

	Three months ended March 31, 2008	2007
Numerator:		
Net income	$ 4,329	$ 2,602
Denominator:		
Weighted average number of shares:		
Basic	21,113	21,093
Effect of dilutive securities:		
Shares secured by shareholder loans	79	99
Diluted	21,192	21,192
Net income per share:		
Basic	$ 0.21	$ 0.12
Diluted	0.20	0.12

11. Capital risk management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company manages its capital with the objective of ensuring that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of cash, credit facilities and components of shareholders' equity including deficit and capital stock.

The Company is subject to certain covenants on it credit facilities. The covenants include a leverage ratio and an interest coverage ratio, as well as a minimum net worth requirement. The Company monitors the ratios on a monthly basis. As at March 31, 2008, the Company is in compliance with the covenants on its credit facilities. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements.

11. Capital risk management (continued):

The Company's policy is to pay annual dividends, subject to Board approval, based on the Company's financial results. The Board of Directors will determine if and when dividends should be declared and paid based on all relevant circumstances, including the desirability of financing further growth of the Company and its financial position at the relevant time. There is no guarantee that dividends will continue to be paid in the future. In addition, the Company is restricted, pursuant to financial covenants under its operating line of credit, from paying dividends of more than 20% of its consolidated adjusted net income as defined in the agreement.

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

12. Financial risk management and financial instruments:

(a) Overview:

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

(In thousands of U.S. dollars, except per share amounts)

12. Financial risk management and financial instruments (continued):

(b) Market risk:

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

The Company manages risk related to fluctuations in the market prices of its publicly traded investments by regularly conducting financial reviews of publicly available information to ensure that any risks are within established levels of risk tolerance. The Company does not routinely engage in risk management practices such as hedging, derivatives or short selling with respect to its publicly traded investments. Management does not believe that the impact of market price fluctuations in respect of its marketable securities will be significant to net income or other comprehensive income and, therefore, has not provided a sensitivity analysis of the impact of fluctuations on net income or other comprehensive income.

The Company is exposed to interest rate risk on the utilized portion of its credit facilities and does not currently hold any financial instruments that mitigate this risk. Management does not believe that the impact of interest rate fluctuations on the current level of borrowings will be significant and, therefore, has not provided a sensitivity analysis of the impact of fluctuations on net income and comprehensive income. A breakdown of the components of interest expense (income) amount recorded on the financial statements is as follows:

	Three months ended March 31, 2008	2007
Interest expense on credit facilities (Other financial liability)	$ 404	$ 40
Interest income on note receivables (Loans and receivables)	(149)	–
Bank interest (Held for trading)	(70)	(130)
Interest income on shareholder loans	(22)	(25)

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company currently does not use derivative instruments to hedge its exposure to those risks. Most of the Company's businesses are organized geographically so that many of its expenses are incurred in the same currency as its revenues thus mitigating some of its exposure to currency fluctuations.

(In thousands of U.S. dollars, except per share amounts)

12. Financial risk management and financial instruments (continued):

Foreign currency sensitivity analysis:

The Company is mainly exposed to fluctuations in the Canadian dollar and British pound. The following table details the Company's sensitivity to a 1% strengthening of the Canadian dollar and British pound on net income and comprehensive income against the U.S. dollar. The sensitivity analysis includes foreign currency denominated monetary assets and liabilities and adjusts their translation at period end for a 1% change in foreign currency rates. For a 1% weakening of the U.S. dollar, there would be an equal and opposite impact on net income and comprehensive income.

	Canadian Dollar Impact	British Pound Impact
Net income (loss)	$ 39	$ (72)
Comprehensive income (loss)	39	(133)

(c) Liquidity risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 11 to the unaudited interim consolidated financial statements. The Company's growth is financed through a combination of the cash flows from operations and borrowing under the existing credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. The Company's credit facilities are disclosed in note 7 to the unaudited interim consolidated financial statements. As at March 31, 2008, the undrawn portion of the Company's bank credit facility was $20,380. Utilizations include advances borrowed under the bank credit facility and issuances of letters of credits. The majority of the Company's financial liabilities recorded in accounts payable and accrued liabilities are due within 60 days. Holdbacks payable are due within two years. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

12. Financial risk management and financial instruments (continued):

(d) Credit risk:

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

The Company manages credit risk related to accounts receivable by maintaining reserves for potential credit losses and returns, but historically has not experienced any significant losses related to individual customers or groups of customers in any particular industry or geographic area. Also, the majority of the accounts receivable balance relates to maintenance invoices to customers that have a history of payment. As at March 31, 2008, 26% of the Company's accounts receivable balance is over 90 days past due. Accounts receivable are net of allowance for doubtful accounts of $2,644 at March 31, 2008 (December 31, 2007 - $2,227).

There is no significant credit risk associated with the Company's short term investments. The Company manages its credit risk related to short-term investments by conducting financial and other assessments of these investments on a regular basis.

The Company manages credit risk related to notes receivable by monitoring the results of the business to which the note relates, and maintaining security over the assets of the business.

The Company manages credit risk related to cash by maintaining bank accounts with Schedule 1 banks.

In the ordinary course of business the Company and its subsidiaries have provided performance bonds and other guarantees for the completion of certain customer contracts. The Company has not experienced a loss to date and future losses are not anticipated; therefore, no liability has been recorded in the unaudited interim consolidated balance sheets related to these types of indemnifications or guarantees at March 31, 2008.

12. Financial risk management and financial instruments (continued):

(e) Financial instruments:

(i) Classification of financial instruments

	Classification	Measurement
Cash	Held for trading	Fair value
Short term investments and marketable securities	Available for sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Notes receivable	Loans and receivable	Amortized cost
Share purchase warrants	Held for trading	Fair value
Other long-term assets	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Holdbacks on acquisitions	Other financial liabilities	Amortized cost

(ii) Fair values of financial instruments

The carrying values of cash, restricted cash, accounts receivable, bank indebtedness, accounts payable, accrued liabilities, acquisition holdbacks, and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

The fair values of short-term investments, which are publicly traded, are determined by the quoted market values for each investment (note 4).

Notes receivable are recorded at amortized cost, which approximates the fair value.

Warrants which are not traded are valued using fair valuation techniques and adjusted by the Company after considering the fair value of the underlying security and the strike price of the warrants. As at March 31, 2008, there was no change in the value of the warrants.

13. Segmented information:

The Company has a number of operating subsidiaries, which have been aggregated into two reportable segments in accordance with CICA Handbook Section 1701. The Company's Public Sector segment develops and distributes software solutions primarily to government and government-related customers. The Company's Private Sector segment develops and distributes software solutions primarily to commercial customers.

The accounting policies of the segments are the same as those described in the significant accounting policies (note 1). The Company evaluates performance of the Public Sector businesses and the Private Sector businesses based on several factors, of which the primary financial measures are revenue and earnings (loss) from operations. The Company defines earnings (loss) from operations as earnings (loss) prior to: appreciation of common shares eligible for redemption, amortization of intangible assets, other expenses, gain on sale of short-term investments and marketable securities and other assets, interest income, foreign exchange gains and losses, inter-company expenses and income taxes.

(In thousands of U.S. dollars, except per share amounts)

13. Segmented information (continued):

(a) Reportable segments:

2008	Public Sector	Private Sector	Other	Total
Revenue	$ 48,315	$ 25,288	$ –	$ 73,603
Cost of revenue	20,707	7,920	–	28,627
	27,608	17,368	–	44,976
Research and development	7,574	4,056	–	11,630
Sales and marketing	4,606	3,435	–	8,041
General and administration	7,764	5,035	–	12,799
Depreciation	536	249	–	785
	20,480	12,775	–	33,255
Income before the undernoted	7,128	4,593	–	11,721
Amortization of intangible assets	4,962	3,086	48	8,096
Interest expense (income), net	(50)	(16)	229	163
Gain on sale of short-term investments, marketable securities and other assets	(1)	(1)	(46)	(48)
Foreign exchange gain	(129)	(219)	(123)	(471)
Inter-company expenses (income)	280	855	(1,135)	–
Income before income taxes	2,066	888	1,027	3,981
Income taxes (recovery):				
Current	794	347	(180)	961
Future	(384)	(925)	–	(1,309)
	410	(578)	(180)	(348)
Net income	$ 1,656	$ 1,466	$ 1,207	$ 4,329
Other selected information:				
Property and equipment purchased	$ 366	$ 109	$ 39	$ 514

(In thousands of U.S. dollars, except per share amounts)

13. Segmented information (continued):

2007	Public Sector	Private Sector	Other	Total
Revenue	$ 34,767	$ 21,126	$ –	$ 55,893
Cost of revenue	14,504	7,012	–	21,516
	20,263	14,114	–	34,377
Research and development	5,580	3,330	–	8,910
Sales and marketing	4,450	2,592	–	7,042
General and administration	6,055	3,981	–	10,036
Depreciation	460	232	–	692
	16,545	10,135	–	26,680
Income before the undernoted	3,718	3,979	–	7,697
Amortization of intangible assets	2,766	1,668	–	4,434
Interest income, net	(79)	(25)	(11)	(115)
Gain on sale of short-term investments, marketable securities and other assets	–	–	(234)	(234)
Foreign exchange loss (gain)	(151)	56	102	7
Inter-company expenses (income)	432	438	(870)	–
Income before income taxes	750	1,842	1,013	3,605
Income taxes (recovery):				
Current	558	628	(29)	1,157
Future	44	(198)	–	(154)
	602	430	(29)	1,003
Net income	$ 148	$ 1,412	$ 1,042	$ 2,602
Other selected information:				
Property and equipment purchased	$ 341	$ 147	$ 29	$ 517

(In thousands of U.S. dollars, except per share amounts)

13. Segmented information (continued):

(b) Geographic information:

The Company's external revenue by geographic region is based on the region in which the revenue is transacted. The property and equipment and goodwill and other intangible assets are based on the geographic region in which the Company operates:

The Company's external revenue by geographic region is based on the region in which the revenue is transacted.

	Three months ended March 31, 2008		Three months ended March 31, 2007	
Canada	$ 11,315	15%	$ 5,356	10%
United States	52,328	71%	42,155	75%
Other	9,960	14%	8,382	15%
Total	$ 73,603	100%	$ 55,893	100%

As at March 31, 2008 and December 31, 2007 and for the three months ended March 31, 2008 and 2007, no single customer accounted for more than 10% of the Company's total accounts receivable and total revenues, respectively.

14. Change in non-cash operating working capital:

	Three months ended March 31, 2008	Three months ended March 31, 2007
Increase in accounts receivable	$ (5,680)	$ (1,865)
Decrease in work in progress	929	21
Increase in inventory	(191)	(160)
Increase in prepaid expenses and other current assets	(1,520)	(324)
Decrease in accounts payable and accrued liabilities excluding holdbacks from acquisitions	(9,941)	(12,876)
Increase in deferred revenue	9,633	5,719
Increase (decrease) income taxes payable	(1,012)	563
	$ (7,782)	$ (8,922)

(In thousands of U.S. dollars, except per share amounts)

15. Accumulated other comprehensive loss:

Accumulated other comprehensive loss consists of the following:

Foreign currency translation account	$ (3,152)
Mark-to-market adjustment of available-for-sale investments from prior periods	(85)
Net unrealized gain on available-for-sale financial assets during the period	(1,168)
Transfer of gain upon derecognition of available-for-sale investments	(39)
Balance, March 31, 2008	$ (4,444)

16. Subsequent events:

During the month of April 2008, the Company made three acquisitions for net cash consideration of $11,388 on closing plus holdbacks of $1,100.

On May 1, 2008, the Company established a new syndicated revolving credit facility for $105,000 to replace its current $50,000 facility. The new facility is available for both working capital and future acquisitions.

17. Comparative figures:

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