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

CONSTELLATION SOFTWARE INC.

For the three and six month periods ended June 30, 2008 and 2007
(Unaudited)

CONSTELLATION SOFTWARE INC.

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

	June 30, 2008	December 31, 2007
	(Unaudited)	
Assets		
Current assets:		
Cash	$ 9,316	$ 19,796
Restricted cash	1,747	750
Short-term investments and marketable securities available for sale (note 4)	11,535	1,217
Accounts receivable	49,358	47,177
Work in progress	14,469	10,839
Inventory	2,631	2,069
Prepaid expenses and other current assets	8,565	7,608
Investment tax credit receivable	1,130	661
Future income taxes (note 9)	1,175	1,096
	99,926	91,213
Property and equipment	8,391	8,025
Future income taxes (note 9)	3,330	3,890
Notes receivable	3,547	3,490
Share purchase warrants	571	571
Investment tax credit receivable	2,338	1,779
Other long-term assets	760	643
Intangible assets (note 6)	131,249	128,942
Goodwill	38,661	28,594
	$ 288,773	$ 267,147
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7)	$ 28,200	$ 19,342
Accounts payable and accrued liabilities	35,989	43,892
Acquisition holdback payments	12,616	10,442
Deferred revenue	91,779	78,870
Income taxes payable	2,551	3,426
Future income taxes (note 9)	197	347
	171,332	156,319
Future income taxes (note 9)	23,555	21,238
Acquisition holdback payments	1,195	1,000
Other long-term liabilities	2,931	1,708
Shareholders equity:		
Capital stock	99,283	99,283
Shareholder loans (note 8)	(1,067)	(1,915)
Accumulated other comprehensive loss (note 15)	(5,124)	(3,237)
Deficit	(3,332)	(7,249)
	89,760	86,882
Subsequent events (note 16)		
	$ 288,773	$ 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 June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	(Unaudited)		(Unaudited)	
Revenue	$ 77,742	$ 60,487	$ 151,345	$ 116,380
Cost of revenue	28,625	23,020	57,252	44,537
	49,117	37,467	94,093	71,843
Research and development	11,327	8,862	22,957	17,772
Sales and marketing	9,841	7,324	17,882	14,365
General and administration	14,051	10,410	26,850	20,446
Depreciation	841	855	1,626	1,548
	36,060	27,451	69,315	54,131
Income before the undernoted	13,057	10,016	24,778	17,712
Amortization of intangible assets	9,201	5,209	17,297	9,643
(Gain) loss on sale of short-term investments, marketable securities and other assets	24	(1,119)	(24)	(1,354)
Interest expense (income), net	234	(34)	397	(149)
Foreign exchange (gain) loss	(192)	1,345	(663)	1,351
Income before income taxes	3,790	4,615	7,771	8,221
Income taxes (recovery) (note 9):				
Current	991	1,421	1,952	2,578
Future	(603)	(348)	(1,912)	(501)
	388	1,073	40	2,077
Net Income	$ 3,402	$ 3,542	$ 7,731	$ 6,144
Income per share (note 10):				
Basic	$ 0.16	$ 0.17	$ 0.37	$ 0.29
Diluted	0.16	0.17	0.36	0.29
Weighted average number of shares outstanding (note 10):				
Basic	21,147	21,111	21,130	21,102
Diluted	21,192	21,192	21,192	21,192
Outstanding at the end of the period	21,192	21,192	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 June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	(Unaudited)		(Unaudited)	
Deficit, beginning of period	$ (6,734)	$ (15,757)	$ (7,249)	$ (15,180)
Net income	3,402	3,542	7,731	6,144
Dividends	-	-	(3,814)	(3,179)
Deficit, end of period	$ (3,332)	$ (12,215)	$ (3,332)	$ (12,215)

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

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	(Unaudited)		(Unaudited)	
Net Income	$ 3,402	$ 3,542	$ 7,731	$ 6,144
Other comprehensive income (loss)	(680)	(746)	(1,972)	86
Comprehensive income	$ 2,722	$ 2,796	$ 5,759	$ 6,230

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 June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income	$ 3,402	$ 3,542	$ 7,731	$ 6,144
Adjustments to reconcile net income to net cash flows from operations:				
Increase in investment tax credit receivable	(724)	(49)	(1,028)	(158)
Depreciation	841	855	1,626	1,548
Amortization of intangible assets	9,201	5,209	17,297	9,643
Accretion interest	28	-	57	-
Interest on shareholder loans	(15)	(24)	(37)	(49)
Future income taxes	(603)	(348)	(1,912)	(501)
(Gain) loss on sale of short-term investments, marketable securities, and other assets	24	(1,119)	(24)	(1,354)
Unrealized foreign exchange (gain) loss	(128)	1,300	(373)	1,283
Change in non-cash operating working capital (note 14)	(710)	(3,228)	(7,921)	(12,041)
Cash flows from operating activities	11,316	6,138	15,416	4,515
Cash flows from financing activities:				
(Decrease) increase in long-term liabilities	361	21	223	(209)
Increase in bank indebtedness	5,558	1,171	8,858	3,593
Credit facility financing fees	(354)	-	(354)	-
Dividends	-	-	(3,814)	(3,179)
Issuance of shareholder loans	-	-	-	(447)
Repayment of shareholder loans, net	416	-	885	809
Cash flows used in financing activities	5,981	1,192	5,798	567
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired (note 5)	(13,400)	(1,590)	(16,089)	(15,407)
Acquisition holdback payments	(217)	(2,608)	(740)	(3,408)
Reduction (additions) to short-term investments, marketable securities and other assets	(3,753)	3,151	(12,158)	3,952
Decrease (increase) in restricted cash	(997)	-	(997)	858
Decrease (increase) in other assets	(268)	(3,914)	(309)	(4,224)
Property and equipment purchased	(998)	(768)	(1,511)	(1,285)
Cash flows used in investing activities	(19,633)	(5,729)	(31,804)	(19,514)
Effect of currency translation adjustment on cash and cash equivalents	230	(785)	110	(751)
Increase (decrease) in cash and cash equivalents	(2,106)	816	(10,480)	(15,183)
Cash, beginning of period	11,422	9,808	19,796	25,807
Cash, end of period	$ 9,316	$ 10,624	$ 9,316	$ 10,624

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 six months ended June 30, 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 June 30, 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.

	June 30, 2008		December 31, 2007	
	Cost	Market Value	Cost	Market Value
Common shares	$ 13,507	$ 11,535	$ 1,303	$ 1,217

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

5. Business acquisitions:

2008

(a) During the six months ended June 30, 2008, the Company made twelve acquisitions for aggregate net cash consideration of $16,089 plus cash holdbacks of $3,545 and earnout arrangements of $960 resulting in total consideration of $20,594. 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	$	6,763
Property and equipment		504
Future income taxes		155
Technology assets		18,787
Customer assets		6,390
Non-compete agreements		1,000
Backlog		701
Goodwill		1,674
		35,974
Liabilities assumed:		
Current liabilities		2,016
Deferred revenue		8,417
Future income taxes		4,907
Long-term liabilities		40
		15,380
Total purchase price consideration	$	20,594

(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 six months ended June 30, 2007, the Company made four other acquisitions for aggregate net initial cash consideration of $2,295 plus holdbacks of $600 resulting in total consideration of $2,895. Holdbacks of $448 have subsequently been paid ($147 during the six months ended June 30, 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	$	1,732
Property and equipment		79
Technology assets		2,945
Customer assets		1,330
		6,086
Liabilities assumed:		
Current liabilities		1,000
Deferred revenue		1,637
Future income taxes		554
		3,191
Total purchase price consideration	$	2,895

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

6. Intangible assets:

	Cost	Accumulated amortization	June 30, 2008 Net book value	December 31, 2007 Net book value
Technology assets	$ 166,690	$ 64,207	$ 102,483	$ 71,866
Non-compete agreements	2,680	1,697	983	91
Customer assets	36,926	10,837	26,089	15,175
Trademarks	133	99	34	40
Backlog	2,268	1,401	867	128
Contract related assets	903	110	793	549
Other	-	-	-	41,093
	$ 209,600	$ 78,351	$ 131,249	$ 128,942

Note: At December 31, 2007, the purchase price allocation of certain intangible amounts was not determinable and recorded as "Other". During the six months ended June 30, 2008, the preliminary purchase price allocation was determined and the amounts were allocated as follows: $24,210 to technology assets, $8,275 to customer assets, $732 to backlog, and $7,876 to goodwill.

7. Credit facilities:

The Company has an operating line-of-credit with a Canadian charter bank in the amount of $105,000 (December 31, 2007 - $50,000). The line-of-credit bears a variable interest rate and is due in full April 28, 2011. 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 June 30, 2008, $28,200 (December 31, 2007 - $19,342) had been drawn from this credit facility, and letters of credit totalling $8,037 (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 six months ended June 30, 2008 totalled $866.

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

8. Shareholder loans:

Share purchase loans receivable of $1,067 (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
Repayment of shareholder loans		(885)
Interest		37
Balance, June 30, 2008	$	1,067

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 June 30, 2008, the Company had total net future tax assets of $4,505 (December 31, 2007 - $4,986) and total future tax liabilities of $23,752 (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 June, 30		Six months ended June, 30	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Numerator:				
Net income	$ 3,402	$ 3,542	$ 7,731	$ 6,144
Denominator:				
Weighted average number of shares:				
Basic	21,147	21,111	21,130	21,102
Effect of dilutive securities:				
Shares secured by shareholder loans	45	81	62	90
Diluted	21,192	21,192	21,192	21,192
Net income per share:				
Basic	$ 0.16	$ 0.17	$ 0.37	$ 0.29
Diluted	0.16	0.17	$ 0.36	0.29

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 June 30, 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 exchange 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.

The following table details the Company's sensitivity to a 1% strengthening in the market price of the marketable securities it currently holds. For a 1% weakening in the market price, there would be an equal and opposite impact on net income and comprehensive income.

Net income	$	-
Comprehensive income		115

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 June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Interest expense on credit facilities (Other financial liability)	$ 462	$ 51	$ 866	$ 91
Interest income on notes receivable (Loans and receivables)	(148)	-	(297)	-
Bank interest (Held for trading)	(65)	(61)	(135)	(191)
Interest income on shareholder loans	(15)	(24)	(37)	(49)
	234	(34)	397	(149)

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 major currency exposures, as of June 30, 2008, are summarized in USD equivalents in the following table. The local currency amounts have been converted to USD equivalents using the period end exchange rates.

	Canadian Dollar	British Pound
Cash	$ 830	$ 1,282
Restricted cash	-	997
Accounts receivable	7,704	8,618
Other financial assets	2,604	3,279
Accounts payable and accrued liabilities	(8,398)	(4,426)
Other financial liabilities	(2,739)	(1,496)
Shareholder loans	222	38
Net financial assets	$ 224	$ 8,293

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	$ 2	$ 83
Comprehensive income	2	31

(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 June 30, 2008, the undrawn portion of the Company's bank credit facility was $68,763. 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 June 30, 2008, 30% of the Company's accounts receivable balance is over 90 days past due. Accounts receivable are net of allowance for doubtful accounts of $2,807 at June 30, 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 June 30, 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
Restricted 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 publicly traded are fair valued using 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 June 30, 2008, there was no change in the fair value of the warrants as compared to December 31, 2007.

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 in note 1 of the 2007 annual financial statements. 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: amortization of intangible assets, (gain) loss on sale of short-term investments and marketable securities and other assets, interest expense (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:

Three months ended June 30, 2008	Public Sector	Private Sector	Other	Total
Revenue	$ 52,768	$ 24,974	$ -	$ 77,742
Cost of revenue	20,678	7,947	-	28,625
	32,090	17,027	-	49,117
Research and development	7,293	4,034	-	11,327
Sales and marketing	6,227	3,614	-	9,841
General and administration	9,382	4,669	-	14,051
Depreciation	583	258	-	841
	23,485	12,575	-	36,060
Income before the undernoted	8,605	4,452	-	13,057
Amortization of intangible assets	6,071	3,068	62	9,201
Gain on sale of short-term investments, marketable securities and other assets	24	-	-	24
Interest expense (income), net	(53)	(7)	294	234
Foreign exchange (gain) loss	(95)	56	(153)	(192)
Inter-company expenses (income)	483	871	(1,354)	-
Income before income taxes	2,175	464	1,151	3,790
Income taxes (recovery):				
Current	755	367	(131)	991
Future	(378)	(225)	-	(603)
	377	142	(131)	388
Net Income	$ 1,798	$ 322	$ 1,282	$ 3,402
Other selected information:				
Property and equipment purchased	$ 688	$ 310	$ -	$ 998

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

13. Segmented information (continued):

Six months ended June 30, 2008	Public Sector	Private Sector	Other	Total
Revenue	$ 101,083	$ 50,262	$ -	$ 151,345
Cost of revenue	41,385	15,867	-	57,252
	59,698	34,395	-	94,093
Research and development	14,867	8,090	-	22,957
Sales and marketing	10,833	7,049	-	17,882
General and administration	17,146	9,704	-	26,850
Depreciation	1,119	507	-	1,626
	43,965	25,350	-	69,315
Income before the undernoted	15,733	9,045	-	24,778
Amortization of intangible assets	11,033	6,154	110	17,297
Gain (loss) on sale of short-term investments, marketable securities and other assets	23	(1)	(46)	(24)
Interest expense (income), net	(103)	(23)	523	397
Foreign exchange gain	(224)	(163)	(276)	(663)
Inter-company expenses (income)	763	1,726	(2,489)	-
Income before income taxes	4,241	1,352	2,178	7,771
Income taxes (recovery):				
Current	1,549	714	(311)	1,952
Future	(762)	(1,150)	-	(1,912)
	787	(436)	(311)	40
Net Income	$ 3,454	$ 1,788	$ 2,489	$ 7,731
Other selected information:				
Property and equipment purchased	$ 1,053	$ 419	$ 39	$ 1,511

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

13. Segmented information (continued):

Three months ended June 30, 2007	Public Sector	Private Sector	Other	Total
Revenue	$ 39,339	$ 21,148	$ -	$ 60,487
Cost of revenue	15,936	7,084	-	23,020
	23,403	14,064	-	37,467
Research and development	5,718	3,144	-	8,862
Sales and marketing	5,026	2,298	-	7,324
General and administration	6,608	3,802	-	10,410
Depreciation	622	233	-	855
	17,974	9,477	-	27,451
Income before the undernoted	5,429	4,587	-	10,016
Amortization of intangible assets	3,563	1,646	-	5,209
Gain on sale of short-term investments, marketable securities and other assets	-	-	(1,119)	(1,119)
Interest expense (income), net	(21)	(14)	1	(34)
Foreign exchange loss	333	384	628	1,345
Inter-company expenses (income)	475	690	(1,165)	-
Income before income taxes	1,079	1,881	1,655	4,615
Income taxes (recovery):				
Current	654	744	23	1,421
Future	(248)	(100)	-	(348)
	406	644	23	1,073
Net Income	$ 673	$ 1,237	$ 1,632	$ 3,542
Other selected information:				
Property and equipment purchased	$ 483	$ 247	$ 38	$ 768

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

13. Segmented information (continued):

Six months ended June 30, 2007	Public Sector	Private Sector	Other	Total
Revenue	$ 74,106	$ 42,274	$ -	$ 116,380
Cost of revenue	30,441	14,096	-	44,537
	43,665	28,178	-	71,843
Research and development	11,298	6,474	-	17,772
Sales and marketing	9,476	4,889	-	14,365
General and administration	12,664	7,782	-	20,446
Depreciation	1,083	465	-	1,548
	34,521	19,610	-	54,131
Income before the undernoted	9,144	8,568	-	17,712
Amortization of intangible assets	6,330	3,313	-	9,643
Gain on sale of short-term investments, marketable securities and other assets	-	-	(1,354)	(1,354)
Interest expense (income), net	(100)	(39)	(10)	(149)
Foreign exchange loss	180	440	731	1,351
Inter-company expenses (income)	906	1,129	(2,035)	-
Income before income taxes	1,828	3,725	2,668	8,221
Income taxes (recovery):				
Current	1,212	1,372	(6)	2,578
Future	(202)	(299)	-	(501)
	1,010	1,073	(6)	2,077
Net Income	$ 818	$ 2,652	$ 2,674	$ 6,144
Other selected information:				
Property and equipment purchased	$ 823	$ 395	$ 67	$ 1,285

(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.

	Three months ended June 30,				Six months ended June 30,			
	2008		2007		2008		2007	
Canada	$ 12,459	16%	$ 11,210	19%	$ 23,774	16%	$ 16,565	14%
United States	53,265	69%	40,538	67%	105,593	70%	82,692	71%
Other	12,018	15%	8,739	14%	21,978	15%	17,123	15%
Total	$ 77,742	100%	$ 60,487	100%	$ 151,345	100%	$ 116,380	100%

As at June 30, 2008 and December 31, 2007 and for the six months ended June 30, 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 June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Increase in accounts receivable	$ 7,329	$ (378)	$ 1,649	$ (2,243)
Decrease in work in progress	(4,003)	724	(3,074)	745
Increase in inventory	(150)	(128)	(341)	(288)
Increase in prepaid expenses and other current assets	1,775	(352)	826	(568)
Decrease in accounts payable and accrued liabilities excluding holdbacks from acquisitions	(284)	373	(10,225)	(12,502)
Increase in deferred revenue	(5,188)	(4,404)	4,445	1,315
Increase (decrease) in income taxes payable	(189)	937	(1,201)	1,500
	$ (710)	$ (3,228)	$ (7,921)	$ (12,041)

(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)
Net unrealized loss on available-for-sale investments from prior periods (net of income taxes of nil)		(85)
Net unrealized loss on available-for-sale financial assets during the period (net of income taxes of nil)		(1,848)
Transfer of unrealized gain from prior periods upon derecognition of available-for-sale investments (net of income taxes of nil)		(39)
Balance, June 30, 2008	$	(5,124)

16. Subsequent events:

During July 2008, the Company finalized two acquisitions for net cash consideration of $6,850 on closing plus holdbacks of $1,200.

17. Comparative figures:

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