Consolidated Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the years ended December 31, 2009 and 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
December 31, 2009

The accompanying consolidated financial statements of Constellation Software Inc. ("Constellation") and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements include certain amounts that are based on the best estimates and judgements of management and in their opinion present fairly, in all material respects, Constellation's financial position, results of operations and cash flows, in accordance with GAAP. Management has prepared the financial information presented elsewhere in Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements, or has provided reconciliations where inconsistencies exist.

Management of Constellation has developed and maintains a system of internal controls, which is supported by the internal audit function. Management believes the internal controls provide reasonable assurance that material transactions are properly authorized and recorded, financial records are reliable and form a basis for the preparation of consolidated financial statements and that Constellation's material assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee. This committee meets with management and the Company's independent auditors to review the Company's reported financial performance and to discuss audit, internal controls, accounting policies, and financial reporting matters. The consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

March 3, 2010

Mark Leonard	John Billowits
President	Chief Financial Officer

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Constellation Software Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations, retained earnings (deficit), comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 3, 2010

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KPMG Canada provides services to KPMG LLP.

CONSTELLATION SOFTWARE INC.

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

December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash	$ 33,249	$ 30,405
Short-term investments and marketable securities available for sale (note 5)	22,323	9,979
Accounts receivable	99,742	61,079
Work in progress	21,349	15,392
Inventory (note 6)	12,702	2,308
Prepaid expenses and other current assets	15,368	8,395
Notes receivable (note 7)	3,833	-
Investment tax credits recoverable	2,250	1,504
Future income taxes (note 18)	4,445	3,779
	215,261	132,841
Restricted cash (note 4)	2,229	750
Property and equipment (note 11)	10,539	9,381
Future income taxes (note 18)	10,155	5,713
Notes receivable (note 7)	-	3,643
Investment tax credits recoverable	2,133	1,808
Other long-term assets (note 8)	11,407	3,656
Intangible assets (note 12)	187,788	188,070
Goodwill (note 13)	40,977	39,937
	$ 480,489	$ 385,799
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 14)	$ 43,100	$ 60,200
Accounts payable and accrued liabilities	103,655	63,429
Acquisition holdback payments	3,587	10,901
Deferred revenue	136,857	115,466
Income taxes payable (note 18)	3,751	3,197
	290,950	253,193
Future income taxes (note 18)	28,121	26,778
Other long-term liabilities (note 9)	53,360	10,446
Shareholders equity:		
Capital stock (note 15)	99,283	99,283
Shareholder loans (note 16)	(646)	(931)
Accumulated other comprehensive loss (note 24)	(157)	(6,901)
Retained earnings	9,578	3,931
	108,058	95,382
Commitments and contingencies (note 25)		
Subsequent events (note 27)		
	$ 480,489	$ 385,799

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

CONSTELLATION SOFTWARE INC.

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

Years ended December 31, 2009 and 2008

	2009	2008
Revenue	$ 437,940	$ 330,532
Cost of revenue	166,607	124,690
	271,333	205,842
Research and development	65,632	48,224
Sales and marketing	45,174	37,693
General and administration	72,401	55,585
Depreciation	3,811	3,642
	187,018	145,144
Income before the undernoted	84,315	60,698
Amortization of intangible assets	60,588	42,635
Other expenses (note 17)	996	413
Interest expense, net	2,702	1,115
Foreign exchange (gain) loss	2,568	(455)
Income before income taxes	17,461	16,990
Income taxes (recovery) (note 18):		
Current	15,635	5,181
Future	(8,398)	(3,185)
	7,237	1,996
Net income	$ 10,224	$ 14,994
Income per share (note 19):		
Basic	$ 0.48	$ 0.71
Diluted	0.48	0.71
Weighted average number of shares outstanding (note 19):		
Basic	21,165	21,140
Diluted	21,192	21,192
Outstanding at the end of the period	21,192	21,192

See accompanying notes to consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Retained Earnings (deficit)
(In thousands of U.S. dollars)

Years ended December 31, 2009 and 2008

	2009	2008
Retained earnings (deficit), beginning of period	$ 3,931	$ (7,249)
Net income	10,224	14,994
Dividends	(4,577)	(3,814)
Retained earnings, end of period	$ 9,578	$ 3,931

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

Years ended December 31, 2009 and 2008

	2009	2008
Net Income	$ 10,224	$ 14,994
Other comprehensive net income, net of tax:		
Net unrealized mark-to-market adjustment gain (loss) on available-for-sale financial assets during the period (taxes - nil)	4,853	(1,518)
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period (taxes - nil)	426	(2,107)
Transfer of unrealized gain from prior periods upon derecognition of available-for-sale investments (taxes - nil)	-	(39)
Amounts reclassified to earnings during the period (taxes - nil)	1,474	-
Foreign currency translation adjustment	(9)	-
Comprehensive income	$ 16,968	$ 11,330

See accompanying notes to consolidated financial statements.

CONSTELLATION SOFTWARE INC.

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

Years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Net income	$ 10,224	$ 14,994
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation	3,811	3,642
Amortization of intangible assets	60,588	42,635
Non-cash interest	(167)	(153)
Future income taxes	(8,398)	(3,185)
Other	1,486	413
Foreign exchange (gain) loss	3,689	(423)
Change in non-cash operating working capital (note 23)	11,415	4,845
Cash flows from operating activities	82,648	62,768
Cash flows from (used in) financing activities:		
Increase (decrease) in other long-term liabilities	(661)	297
Increase (decrease) in bank indebtedness	(17,100)	40,858
Credit facility financing fees	(1,070)	(1,268)
Dividends	(4,577)	(3,814)
Repayment of shareholder loans (note 16)	362	959
Cash flows from (used in) financing activities	(23,046)	37,032
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired (note 10)	(37,905)	(62,134)
Acquisition holdback payments	(4,166)	(8,736)
Investment in VCG LLC	-	(85)
Additions to short-term investments, marketable securities and other assets	(7,032)	(12,379)
Increase in restricted cash	(1,479)	-
Increase in other assets	(112)	(1,442)
Property and equipment purchased	(3,506)	(2,771)
Cash flows used in investing activities	(54,200)	(87,547)
Effect of currency translation adjustment on cash and cash equivalents	(2,558)	(1,644)
Increase in cash and cash equivalents	2,844	10,609
Cash, beginning of period	30,405	19,796
Cash, end of period	$ 33,249	$ 30,405
Supplemental cash flow information:		
Income taxes paid	$ 15,526	$ 3,791
Interest paid	3,663	1,821
Investment tax credits received	1,780	908
Interest received	752	660

See accompanying notes to consolidated financial statements.

Constellation Software Inc. (the "Company"), through its subsidiaries, is engaged in the development, installation and customization of software relating to: public and para transit operators, school transportation and administration, justice, asset management, utilities, local government, law enforcement, public housing, production homebuilders, private clubs, general construction, healthcare food services, and manufacturing, and in the provision of related professional services and support.

1. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany transactions and balances have been eliminated. During the year, the Company completed certain acquisitions as described in note 10 to these consolidated financial statements. The results of operations of these acquired companies have been included in these consolidated financial statements from the date of acquisition.

(b) Revenue recognition:

The Company earns revenue from licencing its products and providing related services, including professional services, maintenance and hardware.

The Company recognizes product revenue when it has an executed licence agreement, the software product has been delivered, the amount of the fee to be paid by the customer is fixed and determinable, and collection of the related receivables is deemed probable.

Typically, software licence agreements are multiple element arrangements as they may also include maintenance, professional services, and hardware. The Company evaluates these contracts to determine whether the professional services are essential to the functionality of the software, and whether the software is essential to the functionality of the hardware. Revenue from arrangements that involve professional services that are not essential to the functionality of the software, or from arrangements where software in not essential to the functionality of the hardware, is allocated to each element based on either their relative fair values or by using the residual method and recognized when the above-noted revenue recognition criteria have been met for each element.

Revenue from the licence of software products involving significant implementation or customization essential to the functionality of the Company's product, or from the sales of hardware where software is essential to its functionality, is recognized under either the percentage-of-completion method or if the estimated costs to complete cannot be reasonably estimated, the completed-contract method. Under the percentage-of-completion method, labour hours or milestones are used as a measure of progress toward completion. Provisions for estimated contract losses are recognized in the year the loss becomes probable and can be reasonably estimated.

Professional services revenue is recognized as such services are performed. Maintenance and warranty revenue is recognized ratably over the term of the related maintenance agreement, which is normally one year.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in work in progress. Amounts billed in accordance with customer contracts, but not yet earned, are recorded as deferred revenue.

1. Significant accounting policies (continued):

(c) Property and equipment:

Property and equipment are recorded at cost. Depreciation is calculated using the following methods and annual rates:

Asset	Basis	Rate
Computer hardware	Declining balance and straight line	25% - 33%
Computer software	Declining balance and straight line	25% - 100%
Furniture and equipment	Declining balance and straight line	20% - 30%
Leasehold improvements	Straight line	Shorter of the estimated useful life and the term of the lease

(d) Translation of foreign currency:

The Company's functional currency is the U.S. dollar. The Company translates transactions denominated in foreign currencies other than the U.S. dollar at the exchange rates in effect on the transaction dates. Monetary assets and liabilities of the Company denominated in foreign currencies are translated into U.S. dollars at the exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Exchange gains and losses resulting from transactions denominated in currencies other than the U.S. dollar are included in the results of operations for the year.

Self-sustaining subsidiaries, with economic activities largely independent of the Company, are accounted for using the current rate method. Under this method, assets and liabilities of subsidiaries denominated in a foreign currency are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at average exchange rates prevailing during the period. Resulting unrealized gains or losses are reported as net unrealized gains (losses) on translating financial statements of self-sustaining foreign operations in the consolidated statements of comprehensive income.

The accounts of foreign subsidiaries, which are financially or operationally dependent on the Company, are accounted for using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date, and nonmonetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average rates for the period. Translation exchange gains or losses of such subsidiaries are reflected in the results of operations for the year.

1. Significant accounting policies (continued):

(e) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

The Company records an income tax expense or recovery based on the income earned or loss incurred in each tax jurisdiction and the substantively enacted tax rate applicable to that income or loss. In ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining the Company's income tax provisions. The Company recognizes a tax benefit when it is more-likely-than-not based on the Company's best estimate of the amount that will ultimately be paid. A change to those estimates could impact the income tax provision and net income.

(f) Research and development:

Research expenditures are expensed as incurred. Development costs are expensed in the year incurred unless management believes they meet the criteria set out under Canadian generally accepted accounting principles for deferral and amortization. To date, no development costs have been capitalized.

(g) Investment tax credits:

Investment tax credits are accounted for as a reduction of the related expenditure for items of a current expense nature or as a reduction of property and equipment for items of a capital nature when the Company has reasonable assurance that the credit will be realized. As at December 31, 2009, investment tax credits recoverable totalled $4,383 (2008 - $3,312) and for the year ended December 31, 2009 investment tax credits received totalled $1,780 (2008 - $908).

(h) Investments:

Investments over which the Company does not have significant influence are classified as available-for-sale and are recorded at fair value.

1. Significant accounting policies (continued):

(i) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and intangible assets acquired, less liabilities assumed, based on their fair values. When the Company enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination.

Goodwill is not amortized but instead is tested for impairment annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit, including goodwill, is compared with its fair value. When the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill as determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

The Company has tested goodwill for impairment at December 31, 2009 and 2008, and determined that no impairment in the carrying value of these assets existed.

(j) Intangible assets:

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives. The estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Technology assets	4 to 12 years
Non-compete agreements	Life of agreement
Customer assets	3 to 12 years
Trademarks	15 years
Backlog	Life of agreement
Contract related assets	Life of agreement

1. Significant accounting policies (continued):

(k) Impairment of long-lived assets:

Long-lived assets, which comprise property and equipment and intangible assets, are amortized over their useful lives. The Company reviews long-lived assets for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value. At December 31, 2009 and 2008, no such impairment had occurred.

(l) Inventory:

Inventory is valued on a first-in, first-out basis at the lower of cost and net realizable value. Cost includes direct materials, labor and overhead. In determining the net realizable value, the Company considers factors such as shrinkage, the aging of and future demand for the inventory, contractual arrangements with customers, and its ability to redistribute inventory to other programs or return inventory to suppliers.

(m) Deferred charges:

The direct costs paid to lenders to obtain revolving credit facilities are capitalized as a contract related asset and amortized on a straight-line basis over the life of the debt to which they relate.

(n) Guarantees:

The Company is required to disclose significant information about certain types of guarantees that it has provided, including certain types of indemnities and indirect guarantees of indebtedness to others, without regard to the likelihood of whether it will have to make any payments under the guarantees.

(o) Deferred leasehold inducements:

Leasehold inducements are deferred and amortized against rent expense on a straight-line basis over the terms of the lease.

1. Significant accounting policies (continued):

(p) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Accounts receivable are reported after evaluation as to their collectibility, and an appropriate allowance for doubtful accounts is provided where considered necessary.

In connection with revenue recognition and work in progress, the Company is required to make ongoing estimates of the amount of revenue and costs of long-term projects to customize and install software. The Company makes these assessments by measuring labour costs incurred to date and estimating the labour costs to be incurred over the life of the project.

The Company determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to product offerings.

The Company is required to make ongoing estimates of the results of future operations as part of its assessment of the recoverability of goodwill, intangible assets, property and equipment and future income tax assets and liabilities. Significant changes in the assumptions with respect to future business plans and cash flows could result in impairment of goodwill, intangible assets, property and equipment, and future tax assets.

By their nature, these estimates are subject to measurement uncertainty and actual results could differ from these estimates.

(q) Transaction costs:

Transaction costs associated with marketable securities classified as available for sale, are added to the carrying amount of the related financial asset on initial recognition.

2. Changes in accounting policies:

(a) Financial Instruments - Disclosures:

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply to the Company's December 31, 2009 financial statements and did not have a material impact.

2. Changes in accounting policies (continued):

(b) Goodwill and intangible assets:

On January 1, 2009, the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets (Section 3064). Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The amendments did not have a material impact on the Company's December 31, 2009 financial statements.

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 ("IFRS"):

In February 2008, the Canadian Accounting Standards Board announced the adoption of IFRS for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. IFRS is effective for the Company's first quarter ended March 31, 2011, with comparative data also prepared under IFRS.

The Company has initiated an IFRS transition project with a formal and detailed project plan. A project team consisting of senior management from the Company's head office and operating subsidiaries are engaged on the project. The Company has also engaged external IFRS consultants. Regular reporting is provided to the Company's senior executive management and to their Audit Committee on the project's progress. The project focuses on the key areas impacted by the conversion, including financial reporting, systems and processes, communications and training. The Company's transition plan is progressing according to their implementation schedule.

(b) Business combinations:

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. The Company has elected to early adopt this standard and apply to all business combinations with acquisition dates on or after January 1, 2010.

3. Changes in accounting policies not yet adopted (continued):

(c) Consolidated financial statements:

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. The Company will early adopt this standard effective January 1, 2010.

(d) Noncontrolling interests in consolidated financial statements:

In January 2009, the CICA issued Handbook Section 1602, "Noncontrolling interests in Consolidated Financial Statements". This section specifies that noncontrolling interests be treated as a separate component of equity, not as a liability or other item outside of equity. Section 1602 is effective for periods beginning on or after January 1, 2011 and will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. The Company will early adopt this standard effective January 1, 2010.

(e) Multiple deliverable revenue arrangements:

In December 2009, the CICA issued EIC 175, "Multiple deliverable revenue arrangements". EIC 175 is effective for periods beginning on or after January 1, 2011 and will be applied prospectively to all arrangements, including any that arose before the effective date. Earlier adoption is permitted. The Company will consider the impact of adopting this standard on its future consolidated financial statements.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

4. **Restricted cash:**

At December 31, 2009, the Company has $2,229 (December 31, 2008 - $750) held in accordance with escrow agreements.

5. **Short-term investments and marketable securities:**

At December 31, 2009, the Company held investments in five (December 31, 2008 - three) public companies listed in the U.K., U.S. and Canada, all of which develop and sell software solutions.

	2009		2008	
	Cost	Market Value	Cost	Market Value
Common shares	$ 19,319	$ 22,323	$ 13,728	$ 9,979

6. **Inventory:**

	2009	2008
Raw materials	$ 7,537	$ 1,908
Work in progress	3,510	-
Finished goods	1,655	400
	$ 12,702	$ 2,308

The cost of inventories included in ‘cost of revenue’ amounted to $11,414 (2008 - $5,751).

7. Notes receivable:

On June 18, 2007, the Company entered into an agreement with VCG Inc. (subsequently VCG LLC) to purchase $4,000 senior subordinated secured notes, and then on September 22, 2008 purchased an additional $85. These notes bear interest at 12% per annum payable annually in arrears and originally matured on June 18, 2012. A note extension agreement was entered into on April 13, 2009 which extended the June 18, 2009 and June 18, 2010 interest payment dates to December 31, 2009 and December 31, 2010, respectively. The agreement also accelerated the maturity date of the principal amount of each note (together with the accrued interest on the principal amount) from June 18, 2012 to December 31, 2010 resulting in the principal amount being reclassified to current receivables at December 31, 2009.

In conjunction with these notes, the Company received share purchase warrants (the "Warrants") having the right to purchase Preferred Series C-1 shares convertible into 8.9% of the fully diluted equity interest of VCG Inc. as of September 22, 2008, subject to the terms of the Warrants. The exercise price for the Warrants is $0.00007 per share. The Warrants can be exercised at the option of the holder anytime until the expiration date of June 18, 2017.

The Warrant component of this instrument constitutes a derivative, and thus under Canadian GAAP must be valued separately from the value of the notes. The Company allocated the total consideration paid to the notes and warrants using the residual method. The fair value of the Warrants was determined using the Black-Scholes option-pricing model. On June 18, 2007, the following assumptions were used to value the Warrants: risk-free interest rate of 4.53%, volatility of 89%, share price of $0.51, expected life of 10 years and zero dividend yield. This resulted in the allocation of $571 to the Warrants and $3,429 to the notes receivable. The value assigned to the Warrants acquired on September 22, 2008 was $50. Canadian GAAP requires the warrants to be carried at fair value with changes recorded in the Statement of Operations. At December 31, 2008, the Black-Scholes assumptions were updated as follows: risk-free interest rate of 2.97%, volatility of 84%, share price of $0.16, expected life of 8.5 years and zero dividend yield. The revised assumptions resulted in a $421 reduction in the value assigned to the Warrants and a charge to the Statement of Operations. At December 31, 2009, the Black-Scholes assumptions were updated as follows: risk-free interest rate of 3.55%, volatility of 84%, share price of $0.16, expected life of 8.25 years and zero dividend yield. The revised assumptions resulted in no change to the value assigned to Warrants as at December 31, 2009.

The note component is recorded at amortized cost with an effective interest rate of 16.55% (2008 - 15.30%). For the year ended December 31, 2009, the Company recorded interest income related to carrying value accretion of $190 (2008 - $118).

As at December 31, 2009, there has been no change in the fair value of the notes receivable other than the adjustment for accretion interest.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

8. Other long-term assets:

	2009	2008
Share purchase warrants (note 7)	$ 200	$ 200
Acquired contract assets (i)	7,602	1,450
Other (ii)	3,605	2,006
	$ 11,407	$ 3,656

(i) Long-term contracts acquired in a business combination are assigned a fair value at the date of acquisition based on the remaining amounts to be billed under the contract, reduced by the estimated costs to complete the contract and an allowance for normal profit related to the activities that will be performed after the acquisition. The resulting amount is recorded as an asset when billings are in excess of costs plus the allowance for normal profit on uncompleted contracts.

Each period subsequent to acquisition, the asset is reduced by actual billings and increased by actual expenses incurred plus the profit margin recorded in the Statement of Operations.

(ii) Other primarily consists of long-term accounts receivables.

9. Other long-term liabilities:

	2009	2008
Acquisition holdback payments	$ 2,537	$ 772
Acquired contract liabilities (i)	41,772	6,668
Other (ii)	2,839	3,006
Acquired liabilities (iii)	6,212	-
	$ 53,360	$ 10,446

(i) Long-term contracts acquired in a business combination are assigned a fair value at the date of acquisition based on the remaining amounts to be billed under the contract, reduced by the estimated costs to complete the contract and an allowance for normal profit related to the activities that will be performed after the acquisition. The resulting amount is recorded as a liability when costs plus the allowance for normal profit are in excess of billings on uncompleted contracts.

Each period subsequent to acquisition, the liability is increased by actual billings and decreased by actual expenses incurred plus the profit margin recorded in the Statement of Operations.

(ii) Other primarily consists of lease inducements and non-compete accruals to be paid out over the next four years.

(iii) These liabilities are a component of the Public Transit Solutions business acquired on November 2, 2009 (note 10(a)). Due to the proximity of the acquisition to year end, management is in the process of determining the fair value of assets and liabilities acquired.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

10. Business acquisitions:

2009

(a) On November 2, 2009, the Company acquired the Public Transit ("PTS") Solutions business of Continental Automotive AG (“Continental”) for cash consideration of $1,471 plus transaction costs of $1,356 resulting in total consideration of $2,827. PTS is a global provider of solutions for public urban passenger transport. The division develops, produces and integrates intelligent transportation systems including operation control systems, on-board computers, and passenger information displays. The acquisition has been accounted for using the purchase method with the results of operations included in these consolidated financial statements from the date of acquisition. The following table summarizes the aggregate preliminary estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Cash	$	10,527
Other current assets		48,145
Property and equipment		210
Other long-term assets		9,906
		68,788
Liabilities assumed:		
Current liabilities		24,788
Deferred revenue		7,110
Other long-term liabilities		34,063
		65,961
Total purchase price consideration	$	2,827

This acquisition has been allocated to the Public Sector.

In addition to the assets acquired and liabilities assumed as noted above, the Company also acquired contingent liabilities related to certain long-term contracts that may, but are unlikely to, exceed $6,000 in the aggregate. As the likelihood of loss is not determinable, these amounts have not been recorded in the financial statements.

10. Business acquisitions (continued):

The Company determined that restructuring actions were required to improve the overall utilization and reduce overhead costs at PTS. Restructuring actions include consolidating facilities and reducing the workforce. The majority of the employees terminated are development and production employees in Switzerland and the workforce reductions are expected to be complete by June 2010. Management is still in the process of reprioritizing development efforts and assessing customer commitments, the result of which may impact the final restructuring activity. On a quarterly basis, management will conduct an evaluation of the remaining balances relating to the workforce reduction and revise assumptions and estimates as appropriate. Any changes in estimates will be recorded as an adjustment to the purchase price allocation.

Regarding the facilities consolidation in Switzerland, management needs to finalize the timeline for consolidating employees into the reduced workspace. At the time the plan is finalized, an accrual for the excess portion of future lease payments will be recorded as an adjustment to the purchase price allocation.

The following table details the movement in the restructuring charges that were setup in the above purchase equation.

	Restructuring Liability
Opening balance, November 2, 2009	$ 6,977
Cash payments	(567)
Reversals	-
Foreign exchange	(120)
Ending balance, December 31, 2009	$ 6,290

The restructuring charges are included in the accounts payable and accrued liabilities acquired.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

10. Business acquisitions (continued):

(b) On September 2, 2009, the Company acquired the Resource Management ("RM") Business from Medisolution Ltd. for aggregate cash consideration of $27,762 plus cash holdbacks of $1,359 resulting in total consideration of $29,121. The holdbacks are payable over a one-year period and are adjusted for any claims under the representations and warranties of the agreements. The RM business provides ERP software, solutions and services to healthcare and service sector customers across North America. The acquisition has been accounted for using the purchase method with the results of operations included in these consolidated financial statements from the date of acquisition. The following table summarizes the aggregate preliminary estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Current assets	$	6,516
Property and equipment		222
Other long-term assets		72
Technology assets		18,416
Customer assets		7,952
Backlog		1,081
		34,259
Liabilities assumed:		
Current liabilities		1,816
Deferred revenue		3,160
Other long-term liabilities		162
		5,138
Total purchase price consideration	$	29,121

This acquisition has been allocated to the Public Sector.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

10. Business acquisitions (continued):

(c) During the twelve months ended December 31, 2009, the Company made a further eleven acquisitions for aggregate cash consideration of $18,320 plus cash holdbacks of $4,099 resulting in total consideration of $22,419. The holdbacks are payable over a three-year period ending August 3, 2012 and are adjusted for claims under the representations and warranties of the agreements. In addition there is consideration payable in the amount of $1,500, contingent on the achievement of certain revenue targets. The amount will be recorded if and when it becomes determinable. 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 by reportable segment the aggregate preliminary estimated fair value of the assets acquired and liabilities assumed at the date of each acquisition:

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 40	$ 437	$ 477
Other current assets	886	3,641	4,527
Property and equipment	131	967	1,098
Future income taxes	-	267	267
Technology assets	6,570	13,828	20,398
Customer assets	2,164	3,349	5,513
Goodwill	201	849	1,050
	9,992	23,338	33,330
Liabilities assumed:			
Current liabilities	490	2,844	3,334
Deferred revenue	2,108	3,134	5,242
Future income taxes	310	2,025	2,335
	2,908	8,003	10,911
Total purchase price consideration	$ 7,084	$ 15,335	$ 22,419

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

10. Business acquisitions (continued):

2008

(d) On September 30, 2008, the Company acquired certain assets and liabilities of Maximus Inc.'s Justice, Education, and Asset Solutions businesses for aggregate net cash consideration of $34,176. The acquisition has been accounted for using the purchase method with the results of operations included in these consolidated financial statements from the date of acquisition. The following table summarizes the impact of adjustments to the purchase price and the aggregate fair value of the assets acquired and liabilities assumed at the date of acquisition:

	As of Sep. 30, 2008	Purchase Price Adjustments	As of Dec. 31, 2009 (Recast)
Assets acquired:			
Current assets	$ 19,626	$ (2,638)	$ 16,988
Property and equipment	1,172	(30)	1,142
Other long-term assets	-	998	998
Technology assets	-	36,592	36,592
Customer assets	-	28,935	28,935
Backlog	-	3,574	3,574
Intangibles	50,121	(50,121)	-
	70,919	17,310	88,229
Liabilities assumed:			
Current liabilities	7,332	1,813	9,145
Future income taxes	-	1,501	1,501
Deferred revenue	23,387	3,962	27,349
Other long-term liabilities	-	16,058	16,058
	30,719	23,334	54,053
Total purchase price consideration	$ 40,200	$ (6,024)	$ 34,176

This acquisition has been allocated to the Public Sector.

Adjustments made to the purchase price equation primarily relate to purchase price adjustments made within the allocation period as defined by EIC 14, Adjustment to the Purchase Equation Subsequent to the Acquisition Date.

- At September 30, 2008, the Company was in the process of determining the fair value of the intangible assets. Amounts were subsequently valued and allocated to Technology assets, Customer assets and Backlog.
- Adjustments to deferred revenue were made based on revisions to cost to complete estimates.
- Revisions to the remaining amounts to be billed under certain contracts plus increases in cost to complete estimates resulted in an increase in other long-term liabilities.
- The actual consideration paid was reduced by $6,000 after adjusting for claims under the representations and warranties of the agreement.

10. Business acquisitions (continued):

In addition to the assets acquired and liabilities assumed as noted above, the Company also acquired contingent liabilities related to certain long-term contracts that may, but are unlikely to, exceed $11,000 in the aggregate. As the likelihood of loss is not determinable, these amounts have not been recorded in the financial statements.

Purchase equation amounts determined as of September 30, 2009 have been recast in the current period for adjustments relating to immaterial errors.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

10. Business acquisitions (continued):

(e) During 2008, the Company made a further twenty acquisitions for aggregate net cash consideration of $26,910 plus cash holdbacks of $6,245 and earnout arrangements of $960 resulting in total consideration of $34,115. Holdbacks of $3,450 have subsequently been paid. The remaining holdbacks are payable over a two-year period ending January 31, 2012 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 by reportable segment the aggregate fair value of the assets acquired and liabilities assumed at the date of each acquisition:

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Current assets	$ 8,789	$ 297	$ 9,086
Property and equipment	810	158	968
Future income taxes	950	148	1,098
Technology assets	25,140	4,397	29,537
Customer assets	9,048	1,870	10,918
Non-compete agreements	-	1,000	1,000
Backlog	2,499	-	2,499
Goodwill	2,661	-	2,661
	49,897	7,870	57,767
Liabilities assumed:			
Current liabilities	3,575	80	3,655
Deferred revenue	12,510	722	13,232
Future income taxes	5,949	776	6,725
Long-term liabilities	-	40	40
	22,034	1,618	23,652
Total purchase price consideration	$ 27,863	$ 6,252	$ 34,115

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

11. Property and equipment:

2009		Cost		Accumulated depreciation		Net book value
Computer hardware	$	18,612	$	12,984	$	5,628
Computer software		6,549		5,242		1,307
Furniture and equipment		7,399		5,320		2,079
Leasehold improvements		3,667		2,142		1,525
	$	36,227	$	25,688	$	10,539

2008		Cost		Accumulated depreciation		Net book value
Computer hardware	$	14,951	$	10,663	$	4,288
Computer software		5,121		4,274		847
Furniture and equipment		6,743		4,294		2,449
Leasehold improvements		3,361		1,564		1,797
	$	30,176	$	20,795	$	9,381

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

12. Intangible assets:

2009	Cost	Accumulated amortization	Net book value
Technology assets	$ 250,774	$ 120,686	$ 130,088
Non-compete agreements	4,544	3,119	1,425
Customer assets	85,986	31,669	54,317
Trademarks	133	112	21
Backlog	7,714	7,714	-
Contract related assets	2,910	973	1,937
	$ 352,061	$ 164,273	$ 187,788

2008	Cost	Accumulated amortization	Net book value
Technology assets	$ 176,042	$ 78,135	$ 97,907
Non-compete agreements	2,680	1,797	883
Customer assets	43,089	15,719	27,370
Trademarks	133	101	32
Backlog	4,903	3,831	1,072
Contract related assets	1,840	294	1,546
Other	63,071	3,811	59,260
	$ 291,758	$ 103,688	$ 188,070

At December 31, 2008, "Other" includes intangible assets relating to the preliminary purchase price allocation for the acquisition of Maximus Inc.'s Justice, Education, and Asset Solutions businesses. During 2009, in connection with the finalization of the purchase price, the amount was reclassified (see note 10(d)).

13. Goodwill:

	2009	2008
Opening balance	$ 39,937	$ 28,594
Additions due to acquisitions during the year	1,050	2,661
Allocation of intangibles previously classified as "Other"	-	7,876
Adjustments relating to prior period acquisitions	(10)	806
Ending balance	$ 40,977	$ 39,937

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

14. Credit facilities:

The Company has an operating line-of-credit with a syndicate of Canadian chartered banks and a U.S. bank in the amount of $160,000 (December 31, 2008 - $130,000). The line-of-credit bears a variable interest rate and is due in full on September 30, 2012. 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 December 31, 2009, $43,100 (December 31, 2008 - $60,200) had been drawn from this credit facility, and letters of credit totalling nil (December 31, 2008 - $7,000) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. As the Company generates sufficient cash flows from operating activities to repay the drawn portion of the credit facility within one year, the amount drawn has been classified as current on the Balance Sheet.

15. Capital stock:

(a) The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of Class A non-voting shares. The rights and privileges of the existing Class A non-voting shares entitle the holders of such shares to distributions, if and when declared by the Board of Directors. The holders of the Class A non-voting shares are entitled to convert such shares, at any time into common shares, on a one-for-one basis.

(b) The issued share capital of the Company is as follows:

	Common shares		Class A non-voting		Total	
	Number	Amount	Number	Amount	Number	Amount
Balance, December 31, 2007 and 2008	16,903,530	$ 84,762	4,288,000	$ 14,521	21,191,530	$ 99,283
Conversion of Class A non-voting	600,000	2,032	(600,000)	(2,032)	-	-
Balance, December 31, 2009	17,503,530	$ 86,794	3,688,000	$ 12,489	21,191,530	$ 99,283

During 2009, 600,000 Class A non-voting shares were converted to common shares on a one-for-one basis.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

16. Shareholder loans:

Share purchase loans receivable 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. At December 31, 2009, the market value of the shares held as collateral was $4,551 (December 31, 2008 - $3,521).

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

	2009	2008
Balance, January 1	$ 931	$ 1,915
Repayment of shareholder loans	(362)	(959)
Interest	36	63
Currency translation adjustment	41	(88)
Balance, December 31	$ 646	$ 931

17. Other (income) expenses:

	2009	2008
Loss (gain) on sale of short-term investments, marketable securities and other assets	$ 12	$ (8)
Loss on held for trading investments related to mark to market adjustments	-	421
Other than temporary decline in value of available for sale investments	1,474	-
Other	(490)	-
	$ 996	$ 413

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

18. Income taxes:

The income tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities at December 31, 2009 are as follows:

	2009	2008
Future income tax assets:		
Non-capital income tax loss carryforwards	$ 4,106	$ 6,572
Scientific research and experiment development expenditure pool carryforward	1,768	895
Deferred revenue	2,782	2,911
Reserves	2,207	1,003
Property and equipment	571	806
Intangible assets	2,669	904
Corporate minimum tax and foreign tax credits	2,624	1,392
Contract assets	5,578	-
Other, including capital loss carryforwards	1,614	4,152
	23,919	18,635
Less valuation allowance	6,353	7,987
	17,566	10,648
Future income tax liabilities:		
Intangible assets	(23,596)	(25,662)
Property and equipment	(3,441)	(893)
Scientific research and experiment development investment tax credits	(1,091)	(512)
Contract liabilities	(1,057)	-
Other, including foreign exchange gains	(1,902)	(867)
	(31,087)	(27,934)
Net future income taxes	$ (13,521)	$ (17,286)
Current future income tax asset	$ 4,445	$ 3,779
Long-term future income tax asset	10,155	5,713
Current future income tax liability	-	-
Long-term future income tax liability	(28,121)	(26,778)
Net future income taxes	$ (13,521)	$ (17,286)

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

18. Income taxes (continued):

In assessing the realizability 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.

Total income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to income before income taxes for the following reasons:

	2009	2008
Statutory income tax rate	33.00%	33.50%
Income tax expense (recovery) on income (loss) before income taxes	$ 5,762	$ 5,692
Increase (decrease) in income taxes resulting from:		
Effect of changes in enacted tax rates	(633)	-
Change in the valuation allowance for future tax assets	(373)	1,952
Permanent differences, including foreign exchange	5,374	(4,059)
Adjustment to future tax assets	(1,375)	(101)
Foreign tax rate differential	(4,046)	(1,744)
Other including withholding tax	2,528	256
	$ 7,237	$ 1,996

As at December 31, 2009, the Company has non-capital income tax losses of $ 8,309 available to reduce future years' income for Canadian income tax purposes. Canadian losses expire as follows: $2,295 in 2015; $690 in 2026; $1,290 in 2027, $3,158 in 2028, and $876 in 2029. In addition, the Company has income tax credits of $1,118 available to offset future Ontario income taxes otherwise payable, which expire as follows: $839 in 2010; $21 in 2012; $27 in 2013; $60 in 2015; and the balance in 2017.

The Company also has approximately $3,306 and $2,004 of tax losses available to reduce future years' income for tax purposes in the United States, and the rest of the world, respectively. The U.S. losses expire as follows: $195 in 2027; $196 in 2028; and the balance in 2029 and beyond; the majority of the rest of the world losses can be carried forward indefinitely.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

19. Income per share:

	2009	2008
Numerator:		
Net income	$ 10,224	$ 14,994
Denominator:		
Weighted average number of shares:		
Basic	21,165	21,140
Effect of dilutive securities:		
Shares secured by shareholder loans	27	52
Diluted	21,192	21,192
Net income per share:		
Basic	$ 0.48	$ 0.71
Diluted	$ 0.48	0.71

20. 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 retained earnings and capital stock.

The Company is subject to certain covenants on its 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 December 31, 2009, 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.

The Board of Directors 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.

21. 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 and as otherwise indicated)

21. 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		223

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:

		2009		2008
Interest expense on credit facilities (Other financial liability)	$	3,553	$	1,911
Interest income on notes receivable (Loans and receivables)		(680)		(605)
Bank interest (Held for trading)		(135)		(128)
Interest income on shareholder loans		(36)		(63)
		2,702		1,115

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 and as otherwise indicated)

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

Foreign currency sensitivity analysis:

The Company is mainly exposed to fluctuations in the Canadian dollar, British pound, Swiss franc, and Euro. The major currency exposures, as of December 31, 2009, 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	Swiss Franc	Euro
Cash	$ 1,641	$ 4,174	$ 978	$ 6,327
Restricted cash	-	-	-	-
Short-term investments and marketable securities available for sale	1,778	10,663	-	-
Accounts receivable	16,613	7,831	13,914	5,477
Other financial assets	11,309	908	2,602	2,786
Accounts payable and accrued liabilities	(23,319)	(9,306)	-	(2,197)
Other financial liabilities	(14,751)	(245)	(19,757)	-
Shareholder loans	125	35	-	-
Net financial assets	$ (6,604)	$ 14,060	$ (2,263)	$ 12,392

The following table details the Company's sensitivity, with regards to the above net asset position, to a 1% strengthening of the Canadian dollar, British pound, Swiss Franc, and Euro 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 against the U.S. dollar, there would be an equal and opposite impact on net income and comprehensive income.

	Canadian Dollar	British Pound	Swiss Franc	Euro
Net income	$ (84)	$ 34	$ (23)	$ 124
Comprehensive income	(66)	141	(23)	124

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

(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 20 to the 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 14 to the consolidated financial statements. As at December 31, 2009, the undrawn portion of the Company's bank credit facility was $116,900. Utilizations include advances borrowed under the bank credit facility.

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.

(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 majority of the accounts receivable balance relates to maintenance invoices to customers that have a history of payment. In addition a large proportion of the Company's accounts receivable is with government agencies. As at December 31, 2009, 24% of the Company's accounts receivable balance is over 90 days past due versus 32% at December 31, 2008. Accounts receivable are net of allowance for doubtful accounts of $5,618 at December 31, 2009 (December 31, 2008 - $4,202).

There is no concentrations of credit risk because of the Company's diverse number of customers.

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.

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

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 consolidated balance sheets related to these types of indemnifications or guarantees at December 31, 2009.

(e) Financial instruments:

(i) Classification of financial instruments

	Classification	Measurement
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
Long-term accounts receivable	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 and acquisition holdbacks, 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).

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 December 31, 2009, there was a decrease of $421 in the fair value of the warrants from the fair value assigned on acquisition.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

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

(f) Fair value measurements:

Effective December 31, 2009, the Company adopted the amendment issued by the CICA to Handbook Section 3862, "Financial instruments - disclosures," which requires enhanced disclosures on fair value measurements of financial instruments. The amendment establishes a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

In the table below, the Company has segregated all financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. The Company has no financial assets or liabilities measured using level 3 inputs.

Financial assets measured at fair value as at December 31, 2008 and 2009 in the financial statements are summarized below. The Company has no financial liabilities measured at fair value.

	2009			2008		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Restricted cash	$ 2,229	$ -	$ 2,229	$ 750	$ -	$ 750
Short term investments and marketable securities	22,323	-	22,323	9,979	-	9,979
Share purchase warrants	-	200	200	-	200	200
	$ 24,552	$ 200	$24,752	$ 10,729	$ 200	$ 10,929

There were no transfers of fair value measurements between level 1 and level 2 of the fair value hierarchy in 2008 and 2009.

22. 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 these audited 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.

Corporate head office operating expenses are allocated to the Company's segments based on the segment's percentage of total company revenue for the allocation period.

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

22. Segmented information (continued):

(a) Reportable segments:

2009	Public Sector	Private Sector	Other	Total
Revenue	$ 336,619	$ 101,321	$ -	$ 437,940
Cost of revenue	135,521	31,086	-	166,607
	201,098	70,235	-	271,333
Research and development	50,363	15,269	-	65,632
Sales and marketing	32,124	13,050	-	45,174
General and administration	52,995	19,406	-	72,401
Depreciation	2,781	1,030	-	3,811
	138,263	48,755	-	187,018
Income before the undernoted	62,835	21,480	-	84,315
Amortization of intangible assets	46,340	13,570	678	60,588
Other (income) expenses	(493)	48	1,441	996
Interest (income) expense, net	(69)	(27)	2,798	2,702
Foreign exchange loss (gain)	2,227	5,122	(4,781)	2,568
Inter-company expenses (income)	3,462	3,631	(7,093)	-
Income before income taxes	11,368	(864)	6,957	17,461
Income taxes (recovery):				
Current	11,014	4,001	620	15,635
Future	(6,354)	(2,044)	-	(8,398)
	4,660	1,957	620	7,237
Net Income (loss)	$ 6,708	$ (2,821)	$ 6,337	$ 10,224
Other selected information:				
Goodwill acquired	$ 201	$ 849	$ -	$ 1,050
Property and equipment purchased	$ 2,865	$ 618	$ 23	$ 3,506
Total assets	$ 333,463	$ 104,254	$ 42,772	$ 480,489

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

22. Segmented information (continued):

2008	Public Sector	Private Sector	Other	Total
Revenue	$ 230,769	$ 99,763	$ -	$ 330,532
Cost of revenue	93,704	30,986	-	124,690
	137,065	68,777	-	205,842
Research and development	32,973	15,251	-	48,224
Sales and marketing	24,404	13,289	-	37,693
General and administration	36,941	18,644	-	55,585
Depreciation	2,611	1,031	-	3,642
	96,929	48,215	-	145,144
Income before the undernoted	40,136	20,562	-	60,698
Amortization of intangible assets	29,568	12,773	294	42,635
Other expenses	31	7	375	413
Interest (income) expense, net	(129)	14	1,230	1,115
Foreign exchange loss (gain)	705	(2,505)	1,345	(455)
Inter-company expenses (income)	2,043	3,526	(5,569)	-
Income before income taxes	7,918	6,747	2,325	16,990
Income taxes (recovery):				
Current	4,221	1,528	(568)	5,181
Future	(1,130)	(2,055)	-	(3,185)
	3,091	(527)	(568)	1,996
Net Income	$ 4,827	$ 7,274	$ 2,893	$ 14,994
Other selected information:				
Goodwill acquired	$ 2,661	$ -	$ -	$ 2,661
Property and equipment purchased	$ 1,971	$ 737	$ 63	$ 2,771
Total assets	$ 272,892	$ 79,282	$ 33,625	$ 385,799

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

22. 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:

2009	Canada	USA	UK/Europe	Other	Total
Revenue	$ 71,440	$ 301,253	$ 45,290	$ 19,957	$ 437,940
Property and equipment	4,517	4,913	1,093	16	10,539
Goodwill and other intangible assets	111,977	84,014	3,594	29,180	228,765

2008	Canada	USA	UK/Europe	Other	Total
Revenue	$ 53,453	$ 233,921	$ 35,646	$ 7,512	$ 330,532
Property and equipment	3,946	4,583	836	16	9,381
Goodwill and other intangible assets	90,981	91,837	15,236	29,953	228,007

23. Change in non-cash operating working capital:

	2009	2008
Decrease (increase) in accounts receivable	$ (3,570)	$ 8,252
Increase in work in progress	(1,450)	(1,895)
Decrease in inventory	854	41
Decrease (increase) in prepaid expenses and other current assets	(1,916)	794
Change in acquired contract assets and liabilities	2,431	(2,348)
Increase in accounts payable and accrued liabilities excluding holdbacks from acquisitions	9,378	3,878
Increase (decrease) in deferred revenue	5,067	(3,424)
Increase (decrease) in income taxes payable	621	(453)
	$ 11,415	$ 4,845

(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

24. Change in accumulated other comprehensive loss

	2009	2008
Balance, January 1	$ (6,901)	$ (3,237)
Net unrealized mark-to-market adjustment gain (loss) on available-for-sale financial assets during the period (taxes - nil)	4,853	(1,518)
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period (taxes - nil)	426	(2,107)
Transfer of unrealized gain from prior periods upon derecognition of available-for-sale investments (taxes - nil)	-	(39)
Amounts reclassified to earnings during the period (taxes - nil)	1,474	-
Foreign currency translation adjustment	(9)	-
Balance, December 31	$ (157)	$ (6,901)

25. Commitments and contingencies:

Commitments:

The Company and its subsidiaries lease premises and certain equipment and automobiles under operating leases. The operating rental expense in 2009 was $9,133 (2008 - $7,589). The annual minimum lease commitments are as follows:

2010	$ 11,661
2011	8,325
2012	7,241
2013	5,833
2014	4,433
Thereafter	6,435
	$ 43,928

25. Commitments and contingencies (continued):

Contingencies:

In the normal course of operations, the Company is subject to litigation and claims from time to time. The Company may also be subject to lawsuits, investigations and other claims, including environmental, labor, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity.

26. Guarantees:

(a) 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 total obligations of the Company pursuant to such bonds total approximately $55,789 (2008 - $31,028). No liability has been recorded in the consolidated financial statements.

(b) As at December 31, 2009, in the normal course of business, the Company and its subsidiaries have outstanding letters of credit totalling nil (2008 - $7,000).

(c) In the normal course of business, some of the Company's subsidiaries entered into lease agreements for facilities. As the joint lessees, the subsidiaries agree to indemnify the lessor for liabilities that may arise from the use of the leased facility. The maximum amount potentially payable under the foregoing indemnity cannot be reasonably estimated. The subsidiaries have liability insurance that relates to the indemnifications.

(d) The Company and its subsidiaries have provided routine indemnifications to some of its customers against liability if the Company's product infringes on a third party's intellectual property rights. The maximum exposure from the indemnifications cannot be reasonably estimated.

27. Subsequent events:

Subsequent to December 31, 2009, the Company completed two acquisitions for cash consideration of $7,042 on closing plus holdbacks of $1,567.

Subsequent to December 31, 2009, the Company purchased an additional 14% of the common shares of UK-based Gladstone PLC ("Gladstone"). This purchase increases the Company's ownership in Gladstone to 44%. The Company is required to make a mandatory cash offer to purchase the remaining share capital of Gladstone.

On March 3, 2010 the Company declared a $0.26 per share dividend payable on March 31, 2010 to all common shareholders and Class A non-voting shareholders of record at close of business on March 17, 2010.

28. Comparative figures:

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