Consolidated Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the three and six months ended June 30, 2010 and 2009
(Unaudited)

CONSTELLATION SOFTWARE INC.

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

	June 30, 2010	December 31, 2009
	(Unaudited)	
Assets		
Current assets:		
Cash	$ 30,362	$ 33,249
Short-term investments and marketable securities available for sale (note 5)	22,582	22,323
Accounts receivable	88,701	99,742
Work in progress	26,922	21,349
Inventory (note 6)	15,754	12,702
Prepaid expenses and other current assets (note 7)	22,105	19,606
Notes receivable	3,959	3,833
Investment tax credits recoverable	2,699	2,250
Future income taxes (note 14)	3,470	4,445
	216,554	219,499
Restricted cash (note 4)	957	2,229
Property and equipment	15,793	10,539
Future income taxes (note 14)	14,300	10,155
Investment tax credits recoverable	2,670	2,133
Other long-term assets (note 7)	4,811	7,169
Intangible assets (note 10)	211,509	187,788
Goodwill (note 9)	47,720	40,977
	$ 514,314	$ 480,489
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 11)	$ 59,454	$ 43,100
Accounts payable and accrued liabilities (note 8)	102,990	111,307
Acquisition holdback payments	4,750	3,587
Deferred revenue	150,816	136,857
Income taxes payable (note 14)	7,543	3,751
	325,553	298,602
Future income taxes (note 14)	35,596	28,121
Other long-term liabilities (note 8)	39,775	45,708
Shareholders equity:		
Capital stock	99,283	99,283
Shareholder loans (note 12)	(468)	(646)
Accumulated other comprehensive loss (note 18)	846	(157)
Retained earnings	13,729	9,578
	113,390	108,058
Contingencies (note 9(e))		
	$ 514,314	$ 480,489

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, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
	(Unaudited)		(Unaudited)	
Revenue	$ 152,682	$ 101,515	$ 296,575	$ 198,767
Cost of revenue	60,953	36,990	121,503	72,819
	91,729	64,525	175,072	125,948
Research and development	21,299	15,281	43,489	29,982
Sales and marketing	15,344	10,683	28,965	20,780
General and administration	27,100	16,227	50,776	32,292
Depreciation	1,430	889	2,477	1,639
	65,173	43,080	125,707	84,693
Income before the undernoted	26,556	21,445	49,365	41,255
Amortization of intangible assets	17,175	14,309	32,470	28,688
Other (income) expenses (note 13)	(123)	1,253	(312)	1,441
Interest expense, net	1,009	686	1,654	1,366
Foreign exchange loss (gain)	930	(371)	1,021	(1,398)
Income before income taxes	7,565	5,568	14,532	11,158
Income taxes (recovery) (note 14):				
Current	4,711	3,505	8,306	6,657
Future	(494)	(1,684)	(3,435)	(3,027)
	4,217	1,821	4,871	3,630
Net income	$ 3,348	$ 3,747	$ 9,661	$ 7,528
Income per share (note 15):				
Basic	$ 0.16	$ 0.18	$ 0.46	$ 0.36
Diluted	0.16	0.18	0.46	0.36
Weighted average number of shares outstanding (note 15):				
Basic	21,179	21,168	21,177	21,159
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 Retained Earnings
(In thousands of U.S. dollars)

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
	(Unaudited)		(Unaudited)	
Retained earnings, beginning of period	$ 10,381	$ 3,135	$ 9,578	$ 3,931
Net income	3,348	3,747	9,661	7,528
Dividends	-	-	(5,510)	(4,577)
Retained earnings, end of period	$ 13,729	$ 6,882	$ 13,729	$ 6,882

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

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
	(Unaudited)		(Unaudited)	
Net Income	$ 3,348	$ 3,747	$ 9,661	$ 7,528
Other comprehensive net income:				
Net unrealized mark-to-market adjustment gain (loss) on available-for-sale financial assets during the period	410	1,779	2,484	379
Net unrealized foreign exchange gain (loss) on available-for-sale financial assets during the period	(89)	841	(440)	742
Reclassification of unrealized gain from prior periods upon derecognition of available-for-sale investments	-	-	(696)	-
Amounts reclassified to net income during the period	-	1,286	-	1,474
Future tax expense on unrealized net gains	(48)	-	(652)	-
Foreign currency translation adjustment	(61)	-	307	-
Comprehensive income	$ 3,560	$ 7,653	$ 10,664	$ 10,123

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, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income	$ 3,348	$ 3,747	$ 9,661	$ 7,528
Adjustments to reconcile net income to net cash flows from operations:				
Depreciation	1,430	889	2,477	1,639
Amortization of intangible assets	17,175	14,309	32,470	28,688
Non-cash interest	(70)	(35)	(141)	(71)
Future income taxes	(494)	(1,684)	(3,435)	(3,027)
Other	(92)	1,253	(281)	1,441
Foreign exchange loss (gain)	930	(697)	1,021	(1,798)
Change in non-cash operating working capital (note 17)	8,941	(714)	(2,235)	(16,461)
Cash flows from operating activities	31,168	17,068	39,537	17,939
Cash flows from (used in) financing activities:				
Increase (decrease) in other long-term liabilities	454	(6)	507	(59)
Increase (decrease) in bank indebtedness	889	(17,209)	16,354	(23,200)
Credit facility financing fees	-	(12)	-	(28)
Dividends paid	-	(926)	(5,510)	(4,577)
Repayment of shareholder loans (note 12)	69	29	190	327
Cash flows from (used in) financing activities	1,412	(18,124)	11,541	(27,537)
Cash flows from (used in) investing activities:				
Acquisition of businesses, net of cash acquired (note 9)	(24,644)	(2,669)	(39,905)	(5,594)
Acquisition holdback payments	(1,875)	(633)	(2,822)	(2,572)
Earnout payments	-	-	(71)	-
(Acquisitions) dispositions of short-term investments, marketable securities and other assets	(1,031)	110	(8,248)	110
Decrease in restricted cash	1,729	-	1,272	-
Decrease (increase) in other assets	543	111	848	(129)
Property and equipment purchased	(1,633)	(1,008)	(3,223)	(1,929)
Cash flows used in investing activities	(26,911)	(4,089)	(52,149)	(10,114)
Effect of currency translation adjustment on cash and cash equivalents	(1,704)	701	(1,816)	1,753
Increase (decrease) in cash and cash equivalents	3,965	(4,444)	(2,887)	(17,959)
Cash, beginning of period	26,397	16,890	33,249	30,405
Cash, end of period	$ 30,362	$ 12,446	$ 30,362	$ 12,446
Supplemental cash flow information:				
Income taxes paid	$ 1,388	$ 3,692	$ 5,015	$ 8,814
Interest paid	1,250	799	2,132	1,647
Investment tax credits received	59	130	538	205
Interest received	36	23	79	45

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 all entities which are controlled by the Company, referred to as subsidiaries. All significant inter-company transactions and balances have been eliminated. During the six months ended June 30, 2010, the Company completed certain acquisitions as described in note 9 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 2009 annual consolidated financial statements and notes.

2. Changes in accounting policies:

(a) 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 elected to early adopt this standard and it has been applied to all business combinations with acquisition dates on or after January 1, 2010. The impact to the Company's consolidated financial statements as a result of adopting this new standard in fiscal 2010 to date, was an increase in general and administration expenses of approximately $1,600, related to acquisition-related costs and restructuring charges.

(b) 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 as of January 1, 2011. Earlier adoption is permitted. The Company has elected to early adopt this standard effective January 1, 2010. There was no material impact to the Company's consolidated financial statements as a result of this new standard.

2. Changes in accounting policies (continued):

(c) 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 has elected to early adopt this standard effective January 1, 2010. There was no material impact to the Company's consolidated financial statements as a result of this new standard.

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 quarter ended March 31, 2011, being the first quarter in fiscal 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 its implementation schedule.

(b) Revenue arrangements with multiple deliverables:

In December 2009, the CICA issued Emerging Issue Committee Abstract ("EIC") 175, "Revenue Arrangements with Multiple Deliverables", an amendment to EIC 142, "Revenue Arrangements with Multiple Deliverables". EIC 175 provides guidance on certain aspects of the accounting for arrangements under which the Company will perform multiple revenue-generating activities. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. EIC 175 also includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. EIC 175 is effective prospectively, with retrospective adoption permitted, for revenue arrangements entered into or materially modified in fiscal years beginning on or after January 1, 2011. Early adoption is also permitted; however, early adoption during an interim period requires retrospective application from the beginning of the fiscal year. The Company is currently evaluating the impact of the adoption of this new EIC on the consolidated financial statements.

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

4. Restricted cash:

At June 30, 2010, the Company has $957 (December 31, 2009 - $2,229) held in accordance with escrow agreements related to prior business acquisitions.

5. Short-term investments and marketable securities:

At June 30, 2010, the Company held investments in four (December 31, 2009 - five) public companies listed in the U.K., U.S. and Canada, all of which develop and sell software solutions. All investments have been designated as available for sale in the Company's consolidated financial statements. During the six months ended June 30, 2010, the Company's investment in Gladstone PLC was reclassified from an equity investee to a consolidated subsidiary. (refer to note 9(b))

	June 30, 2010		December 31, 2009	
	Cost	Market Value	Cost	Market Value
Common shares	$ 18,234	$ 22,582	$ 19,319	$ 22,323

6. Inventory:

	June 30, 2010	December 31, 2009
Raw materials	$ 1,866	$ 3,095
Work in progress	794	3,510
Finished goods	13,094	6,097
	$ 15,754	$ 12,702

The cost of inventories, including applicable writedowns, included in cost of revenue amounted to $17,526 (Six months ended June 30, 2009 - $6,792).

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

7. Other long-term assets:

	June 30, 2010	December 31, 2009
Share purchase warrants	$ 200	$ 200
Acquired contract assets (i)	2,097	3,364
Long term receivables and other	2,514	3,605
	$ 4,811	$ 7,169

(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. The current portion which amounts to $4,572 (December 31, 2009 - $4,238) is included in Prepaid expenses and other current assets.

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

8. Other long-term liabilities:

	June 30, 2010	December 31, 2009
Acquisition holdback payments	$ 2,077	$ 2,537
Acquired contract liabilities (i)	30,541	34,120
Acquired liabilities (ii)	3,488	6,212
Other (iii)	3,669	2,839
	$ 39,775	$ 45,708

(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. The current portion which amounts to $8,731 (December 31, 2009 - $7,652) is included in Accounts payable and accrued liabilities.

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

(ii) These liabilities are a component of the Public Transit Solutions business acquired on November 2, 2009 (note 9(d)). Management believes additional liabilities may exist due to uncertainties associated with acquired contracts and as such has retained on the balance sheet an amount equal to the current excess of identifiable tangible net assets acquired over the purchase price pending resolution of these matters, which management anticipates will occur during the allowable measurement period. The resolution of these matters may result in the recognition of an extraordinary gain in the event the acquired liabilities are less than the amounts accrued.

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

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

9. Business acquisitions:

2010

(a) During the six months ended June 30, 2010, the Company made thirteen acquisitions for aggregate cash consideration of $37,992 plus cash holdbacks of $3,205 resulting in total consideration of $41,197. The holdbacks are payable over a three-year period ending June 25, 2013 and are adjusted for claims under the representations and warranties of the agreements. In addition there is contingent consideration payable in the maximum amount of $781, contingent on the achievement of certain revenue targets. The obligaton for contingent consideration has been recorded at its estimated fair value, determined to be $305 at the acquisition date. The acquisitions include software companies catering to the pulp and paper, tourism and attractions, schools, catalog, public transit, agriculture business, and health club markets. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition. Due to the proximity to period end, the Company is still in the process of resolving the value of the assumed assets and liabilities acquired as part of the 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	$ 4,692	$ 1,354	$ 6,046
Other current assets	3,869	4,180	8,049
Property and equipment	1,115	367	1,482
Technology assets	10,867	17,080	27,947
Customer assets	4,906	5,370	10,276
Goodwill	3,547	234	3,781
	28,996	28,585	57,581
Liabilities assumed:			
Current liabilities	3,961	2,031	5,992
Deferred revenue	3,217	3,059	6,276
Future income taxes	2,434	1,434	3,868
Other long term liabilities	211	37	248
	9,823	6,561	16,384
Total purchase price consideration	$ 19,173	$ 22,024	$ 41,197

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

9. Business acquisitions (continued):

(b) On April 30, 2010, the Company acquired virtually all of the remaining shares of UK-based Gladstone PLC ("Gladstone") for $17,295. As at March 31, the Company had recorded its ownership in Gladstone as an equity investment with a fair value of $9,479. The aggregate fair value determined upon acquistion was $26,829. There was no gain or loss resulting from the difference in equity accounting and fair value on acquisition. Gladstone is a global provider of solutions for the health and leisure and education verticals. The acquisition has been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of acquisition. Due to the proximity to period end, the Company is still in the process of resolving the value of the tangible net assets acquired as part of the 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	$	7,653
Other current assets		4,339
Property and equipment		2,871
Technology assets		12,276
Customer assets		3,791
Backlog		800
Goodwill		2,876
		34,606
Liabilities assumed:		
Current liabilities		42
Deferred revenue		3,012
Future income taxes		4,723
		7,777
Total purchase price consideration	$	26,829

This acquisition has been included in the Private Sector reportable segment.

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

9. Business acquisitions (continued):

2009

(c) During the six months ended June 30, 2009, the Company made two acquisitions for aggregate cash consideration of $5,600 plus cash holdbacks of $1,034 resulting in total consideration of $6,634. Holdbacks of $884 have subsequently been paid. In addition there is contingent consideration payable in the amount of $900, 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 the acquisition. The following table summarizes 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	$ 463	$ 776	$ 1,239
Property and equipment	63	259	322
Technology assets	3,778	2,525	6,303
Customer assets	1,136	791	1,927
	5,440	4,351	9,791
Liabilities assumed:			
Current liabilities	191	333	524
Deferred revenue	1,736	897	2,633
	1,927	1,230	3,157
Total purchase price consideration	$ 3,513	$ 3,121	$ 6,634

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

9. Business acquisitions (continued):

(d) 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		49,338
Property and equipment		210
Other long-term assets		9,493
		69,568
Liabilities assumed:		
Current liabilities		19,407
Deferred revenue		11,098
Other long-term liabilities		36,236
		66,741
Total purchase price consideration	$	2,827

This acquisition has been included in the Public Sector reportable segment.

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.

Subsequent to June 30, 2010, the Company received an assessment, from a neutral accounting firm, as to the value of certain tangible net assets acquired as part of the PTS acquisition in order to resolve an existing dispute between the Company and Continental AG. The findings indicate a reduction in the purchase price of $8.3 million. The Company is reviewing the report and the implications it could have on the estimates included in the purchase price allocation.

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

9. Business acquisitions (continued):

The Company determined that restructuring actions were required to improve the overall utilization and to 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 2011. 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.

The consolidation of facilities in Switzerland is still in process. Once finalized, the excess portion of future lease payments will be accrued for with a corresponding adjustment to the purchase price allocation.

The following table details the movement in the restructuring charges that were recognized in the above purchase equation. The reversal resulted from a change in estimate and was recorded as an adjustment to the purchase price allocation.

	2010	2009
Opening balance (January 1, November 2)	$ 6,290	$ 6,977
Reversals	(4,642)	-
Cash payments	(602)	(567)
Foreign exchange	(133)	(120)
Ending balance (June 30, December 31)	$ 913	$ 6,290

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

2008

(e) 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 Company also acquired certain long-term contracts that contain contingent liabilities that may, but are unlikely to, exceed $12,000 in the aggregate.

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

10. Intangible assets:

	Cost	Accumulated amortization	June 30, 2010 Net book value	December 31, 2009 Net book value
Technology assets	$ 293,428	$ 144,703	$ 148,725	$ 130,088
Non-compete agreements	4,623	3,843	780	1,425
Customer assets	99,791	40,057	59,734	54,317
Trademarks	133	117	16	21
Backlog	8,514	7,847	667	-
Contract related assets	2,912	1,325	1,587	1,937
	$ 409,401	$ 197,892	$ 211,509	$ 187,788

11. Credit facilities:

The Company has an operating line-of-credit with a syndicate of U.S. and Canadian chartered banks in the amount of $160,000 (December 31, 2009 - $160,000). 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 June 30, 2010, $59,454 (December 31, 2009 - $43,100) had been drawn from this credit facility, and letters of credit totalling nil (December 31, 2009 - nil) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. As the Company consistently 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 a current liability on the Balance Sheet.

12. 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 June 30, 2010, the market value of the shares held as collateral was $4,188 (December 31, 2009 - $4,551).

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

	2010	2009
Balance, January 1	$ 646	$ 931
Repayment of shareholder loans	(190)	(327)
Interest	15	19
Currency translation adjustment	(3)	18
Balance, June 30	$ 468	$ 641

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

13. Other (income) expenses:

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Gain on sale of short-term investments, marketable securities and other assets	$ (36)	$ (33)	$ (82)	$ (33)
Other than temporary decline in value of available for sale investments	-	1,286	-	1,474
Earnings of equity investee	(56)	-	(199)	-
Other	(31)	-	(31)	-
	$ (123)	$ 1,253	$ (312)	$ 1,441

14. 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, 2010, the Company had total future tax assets of $17,770 (December 31, 2009 - $14,600) and total future tax liabilities of $35,596 (December 31, 2009 - $28,121).

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 and as otherwise indicated)

15. Income per share:

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Numerator:				
Net income	$ 3,348	$ 3,747	$ 9,661	$ 7,528
Denominator:				
Weighted average number of shares (in '000):				
Basic	21,179	21,168	21,177	21,159
Effect of dilutive securities:				
Shares secured by shareholder loans	13	24	15	33
Diluted	21,192	21,192	21,192	21,192
Net income per share:				
Basic	$ 0.16	$ 0.18	$ 0.46	$ 0.36
Diluted	$ 0.16	$ 0.18	$ 0.46	$ 0.36

16. Segmented information:

(a) Reportable segments:

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. Unallocated corporate expenses have been classified as Other.

The accounting policies of the segments are the same as those described in the significant accounting policies in note 1 of the 2009 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 income (loss) from operations. The Company defines income (loss) from operations as income (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)

16. Segmented information (continued):

Three months ended June 30, 2010	Public Sector	Private Sector	Other	Total
Revenue	$ 113,325	$ 39,357	$ -	$ 152,682
Cost of revenue	46,760	14,193	-	60,953
	66,565	25,164	-	91,729
Research and development	15,369	5,930	-	21,299
Sales and marketing	10,566	4,778	-	15,344
General and administration	17,860	9,240	-	27,100
Depreciation	1,049	381	-	1,430
	44,844	20,329	-	65,173
Income before the undernoted	21,721	4,835	-	26,556
Amortization of intangible assets	12,094	4,904	177	17,175
Other income	(73)	36	(86)	(123)
Interest (income) expense, net	16	(27)	1,020	1,009
Foreign exchange loss (gain)	(192)	(554)	1,676	930
Inter-company expenses (income)	1,022	1,022	(2,044)	-
Income before income taxes	8,854	(546)	(743)	7,565
Income taxes (recovery):				
Current	5,061	299	(649)	4,711
Future	14	(460)	(48)	(494)
	5,075	(161)	(697)	4,217
Net Income	$ 3,779	$ (385)	$ (46)	$ 3,348
Other selected information:				
Goodwill acquired	$ 3,619	$ 3,120	$ -	$ 6,739
Property and equipment purchased	$ 1,119	$ 503	$ 11	$ 1,633
Total assets	$ 332,559	$ 92,679	$ 89,076	$ 514,314

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

16. Segmented information (continued):

Six months ended June 30, 2010	Public Sector	Private Sector	Other	Total
Revenue	$ 223,549	$ 73,026	$ -	$ 296,575
Cost of revenue	96,338	25,165	-	121,503
	127,211	47,861	-	175,072
Research and development	32,163	11,326	-	43,489
Sales and marketing	19,855	9,110	-	28,965
General and administration	34,387	16,389	-	50,776
Depreciation	1,807	670	-	2,477
	88,212	37,495	-	125,707
Income before the undernoted	38,999	10,366	-	49,365
Amortization of intangible assets	23,958	8,159	353	32,470
Other income	(83)	-	(229)	(312)
Interest (income) expense, net	(3)	(36)	1,693	1,654
Foreign exchange loss (gain)	710	566	(255)	1,021
Inter-company expenses (income)	2,000	1,984	(3,984)	-
Income before income taxes	12,417	(307)	2,422	14,532
Income taxes (recovery):				
Current	8,443	1,254	(1,391)	8,306
Future	(1,429)	(1,353)	(653)	(3,435)
	7,014	(99)	(2,044)	4,871
Net Income	$ 5,403	$ (208)	$ 4,466	$ 9,661
Other selected information:				
Goodwill acquired	$ 3,619	$ 3,120	$ -	$ 6,739
Property and equipment purchased	$ 2,619	$ 593	$ 11	$ 3,223
Total assets	$ 332,559	$ 92,679	$ 89,076	$ 514,314

CONSTELLATION SOFTWARE INC.

Notes to Interim Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)

Three and six months ended June 30, 2010 and 2009
(Unaudited)

16. Segmented information (continued):

Three months ended June 30, 2009	Public Sector	Private Sector	Other	Total
Revenue	$ 77,761	$ 23,754	$ -	$ 101,515
Cost of revenue	29,831	7,159	-	36,990
	47,930	16,595	-	64,525
Research and development	11,761	3,520	-	15,281
Sales and marketing	7,870	2,813	-	10,683
General and administration	12,052	4,175	-	16,227
Depreciation	663	226	-	889
	32,346	10,734	-	43,080
Income before the undernoted	15,584	5,861	-	21,445
Amortization of intangible assets	11,237	2,905	167	14,309
Other expenses	-	-	1,253	1,253
Interest (income) expense, net	3	(5)	688	686
Foreign exchange loss (gain)	(1,350)	2,222	(1,243)	(371)
Inter-company expenses (income)	947	942	(1,889)	-
Income before income taxes	4,747	(203)	1,024	5,568
Income taxes (recovery):				
Current	2,288	1,306	(89)	3,505
Future	(1,094)	(590)	-	(1,684)
	1,194	716	(89)	1,821
Net Income	$ 3,553	$ (919)	$ 1,113	$ 3,747
Other selected information:				
Property and equipment purchased	$ 893	$ 96	$ 19	$ 1,008
Total assets	$ 253,716	$ 81,755	$ 21,000	$ 356,471

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

16. Segmented information (continued):

Six months ended June 30, 2009	Public Sector	Private Sector	Other	Total
Revenue	$ 152,252	$ 46,515	$ -	$ 198,767
Cost of revenue	58,956	13,863	-	72,819
	93,296	32,652	-	125,948
Research and development	22,799	7,183	-	29,982
Sales and marketing	15,124	5,656	-	20,780
General and administration	23,530	8,762	-	32,292
Depreciation	1,183	456	-	1,639
	62,636	22,057	-	84,693
Income before the undernoted	30,660	10,595	-	41,255
Amortization of intangible assets	22,390	5,963	335	28,688
Other expenses	-	-	1,441	1,441
Interest (income) expense, net	20	(12)	1,358	1,366
Foreign exchange loss (gain)	(2,619)	1,312	(91)	(1,398)
Inter-company expenses (income)	1,802	1,793	(3,595)	-
Income before income taxes	9,067	1,539	552	11,158
Income taxes (recovery):				
Current	4,704	2,151	(198)	6,657
Future	(1,493)	(1,534)	-	(3,027)
	3,211	617	(198)	3,630
Net Income	$ 5,856	$ 922	$ 750	$ 7,528
Other selected information:				
Property and equipment purchased	$ 1,671	$ 237	$ 21	$ 1,929
Total assets	$ 253,716	$ 81,755	$ 21,000	$ 356,471

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

16. 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,			
	2010		2009		2010		2009	
Canada	$ 27,278	18%	$ 19,317	19%	$ 49,891	17%	$ 30,047	15%
United States	$ 93,919	62%	69,872	69%	182,061	61%	144,452	73%
UK/Europe	$ 24,543	16%	7,957	8%	51,830	17%	15,633	8%
Other	$ 6,942	5%	4,369	4%	12,793	4%	8,635	4%
Total	$ 152,682	101%	$ 101,515	100%	$ 296,575	99%	$ 198,767	100%

As at June 30, 2010 and December 31, 2009, no single customer accounted for more than 10% of the Company's total accounts receivable and total revenues.

17. Change in non-cash operating working capital:

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Decrease in accounts receivable	$ 20,920	$ 7,252	$ 20,495	$ 3,521
Increase in work in progress	(4,039)	(1,526)	(5,370)	(4,474)
Decrease (increase) in inventory	(1,240)	689	(1,012)	(451)
Increase in prepaid expenses and other current assets	(1,814)	(1,309)	(1,486)	(1,843)
Increase (decrease) in accounts payable and accrued liabilities excluding holdbacks from acquisitions	6,445	5,096	(18,341)	(16,017)
Increase (decrease) in deferred revenue	(14,892)	(10,654)	389	4,915
Increase (decrease) in income taxes payable	3,561	(262)	3,090	(2,112)
	$ 8,941	$ (714)	$ (2,235)	$ (16,461)

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

18. Change in accumulated other comprehensive loss

	2010	2009
Balance, January 1	$ (157)	$ (6,901)
Net unrealized mark-to-market adjustment gain (loss) on available-for-sale financial assets during the period	2,484	379
Net unrealized foreign exchange gain (loss) on available-for-sale financial assets during the period	(440)	742
Reclassification of unrealized gain from prior periods upon derecognition of available-for-sale investments (note 9(b))	(696)	-
Amounts reclassified to net income during the period	-	1,474
Future tax expense on unrealized net gains	(652)	-
Foreign currency translation adjustment	307	-
Balance, June 30	$ 846	$ (4,306)

19. Comparative figures:

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