Consolidated Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the years ended December 31, 2010 and 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
December 31, 2010

CONSTELLATION SOFTWARE INC.

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 auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

March 2, 2011

Mark Leonard	John Billowits
President	Chief Financial Officer

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying consolidated financial statements of Constellation Software Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of operations, comprehensive income, retained earnings and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Constellation Software Inc. as at December 31, 2010 and 2009, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants licensed Public Accountants

March 2, 2011
Toronto, Canada

CONSTELLATION SOFTWARE INC.

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

December 31, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash	$ 30,911	$ 33,249
Short-term investments and marketable securities available for sale (note 5)	23,723	22,323
Accounts receivable	92,097	91,244
Work in progress	24,408	21,349
Inventory (note 6)	15,945	12,702
Prepaid expenses and other current assets (note 8)	22,052	19,606
Notes receivable (Note 7)	-	3,833
Investment tax credits recoverable	3,929	2,250
Future income taxes (note 18)	3,471	4,445
	216,536	211,001
Restricted cash (note 4)	857	2,229
Property and equipment (note 11)	16,430	10,539
Future income taxes (note 18)	22,919	10,155
Investment tax credits recoverable	3,410	2,133
Other long-term assets (note 8)	19,002	7,169
Intangible assets (note 12)	223,503	187,788
Goodwill (note 13)	50,756	40,977
	$ 553,413	$ 471,991
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 14)	$ 47,291	$ 43,100
Accounts payable and accrued liabilities (note 9)	118,066	111,307
Acquisition holdbacks	6,920	3,587
Deferred revenue	157,240	128,359
Income taxes payable (note 18)	1,424	3,751
	330,941	290,104
Future income taxes (note 18)	30,915	28,121
Other long-term liabilities (note 9)	41,630	45,708
Shareholders equity:		
Capital stock (note 15)	99,283	99,283
Shareholder loans (note 16)	(482)	(646)
Accumulated other comprehensive income (loss) (note 24)	5,292	(157)
Retained earnings	45,834	9,578
	149,927	108,058
Commitments and contingencies (note 25)		
Subsequent events (note 27)		
	$ 553,413	$ 471,991

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, 2010 and 2009

	2010	2009
Revenue	$ 630,857	$ 437,940
Cost of revenue	262,569	166,607
	368,288	271,333
Research and development	84,880	65,632
Sales and marketing	58,310	45,174
General and administration	108,668	72,401
Depreciation	6,036	3,811
	257,894	187,018
Income before the undernoted	110,394	84,315
Amortization of intangible assets	70,064	60,588
Other (income) expenses (note 17)	(175)	996
Interest expense, net	3,847	2,702
Foreign exchange (gain) loss	2,387	2,568
Income before extraordinary gain and income taxes	34,271	17,461
Extraordinary gain (taxes - nil) (note 10(c),(e))	12,538	-
Income taxes (recovery) (note 18):		
Current	16,961	15,635
Future	(11,918)	(8,398)
	5,043	7,237
Net income	$ 41,766	$ 10,224
Income per share (note 19):		
Basic	$ 1.97	$ 0.48
Diluted	1.97	0.48
Weighted average number of shares outstanding (note 19):		
Basic	21,179	21,165
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
(In thousands of U.S. dollars)

Years ended December 31, 2010 and 2009

	2010	2009
Retained earnings, beginning of year	$ 9,578	$ 3,931
Net income	41,766	10,224
Dividends	(5,510)	(4,577)
Retained earnings, end of year	$ 45,834	$ 9,578

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

Years ended December 31, 2010 and 2009

	2010	2009
Net income	$ 41,766	$ 10,224
Other comprehensive net income:		
Net unrealized mark-to-market adjustment gain (loss) on available-for-sale financial assets during the period	6,071	4,853
Net unrealized foreign exchange gain (loss) on available-for-sale financial assets during the period	61	426
Reclassification of unrealized gain upon derecognition of available-for-sale investments	(733)	-
Amounts reclassified to net income during the period related to other than temporary losses in available-for-sale investments	-	1,474
Future tax expense on unrealized net gains	(1,260)	-
Foreign currency translation adjustment	1,310	(9)
Comprehensive income	$ 47,215	$ 16,968

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, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Net income	$ 41,766	$ 10,224
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation	6,036	3,811
Amortization of intangible assets	70,064	60,588
Extraordinary gain (note 10(c),(e))	(12,538)	-
Non-cash interest	(217)	(167)
Future income taxes	(11,918)	(8,398)
Other	(62)	1,486
Foreign exchange loss	2,387	2,568
Change in non-cash operating working capital (note 23)	9,523	11,415
Cash flows from operating activities	105,041	81,527
Cash flows from (used in) financing activities:		
Increase (decrease) in other long-term liabilities	326	(661)
Increase (decrease) in bank indebtedness, net	4,191	(17,100)
Credit facility financing fees	(13)	(1,070)
Dividends paid	(5,510)	(4,577)
Repayment of shareholder loans (note 16)	207	362
Cash flows from (used in) financing activities	(799)	(23,046)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired (note 10)	(90,627)	(37,905)
Post acquisition settlement (payments) receipts	7,697	(4,166)
Repayment of notes receivable	4,085	-
Acquisitions of short-term investments, marketable securities and other assets, net	(20,035)	(7,032)
Decrease (increase) in restricted cash	1,372	(1,479)
Decrease (increase) in other assets	52	(112)
Property and equipment purchased	(7,092)	(3,506)
Cash flows used in investing activities	(104,548)	(54,200)
Effect of foreign currency translation adjustment on cash and cash equivalents	(2,032)	(1,437)
Increase (decrease) in cash and cash equivalents	(2,338)	2,844
Cash, beginning of period	33,249	30,405
Cash, end of period	$ 30,911	$ 33,249
Supplemental cash flow information:		
Income taxes paid	$ 19,695	$ 15,526
Interest paid	4,558	3,663
Investment tax credits received	1,038	1,780
Interest received	723	752

See accompanying notes to consolidated financial statements.

Constellation Software Inc. (the "Company"), through its operating groups, is engaged in the development, installation and customization of software relating to the markets listed below, and in the provision of related professional services and support.

- Public transit operators
- Paratransit operators
- School transportation
- Non-emergency medical
- Ride share
- Local government
- Criminal justice
- Law enforcement
- Agri-business
- Equipment rental
- Courts
- Asset management
- Electric utilities
- Water utilities
- Municipal systems
- School administration
- Public safety
- Healthcare
- Public housing authorities
- Housing finance agencies
- Real estate brokers
- Construction
- Private clubs and daily fee golf courses
- Attractions
- Food services
- Health clubs
- Van lines
- Metal centers
- Homebuilders
- Lease management
- Winery management
- Buy here pay here dealers
- RV and marine dealers
- Pulp and paper manufacturers
- Window manufacturers
- Cabinet manufacturers
- Made-to-order manufacturers
- Window and other dealers
- Multi-carrier shipping

1. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and all entities which are controlled by the Company, referred to as subsidiaries. Entities subject to significant influence are accounted for using equity accounting. 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 agreement, the 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 from the outset of the arrangement.

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 is 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.

1. Significant accounting policies (continued):

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, costs directly related to the contract, including labour costs, 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.

(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
Building	Straight line	50 years

(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.

1. Significant accounting policies (continued):

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, being the foreign currency translation adjustment, 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.

(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 realized. 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.

1. Significant accounting policies (continued):

(g) Investment tax credits:

Investment tax credits are accounted for as a reduction of the related expenditure for items of a current expense nature, being research and development expenses in the statement of operations, 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, 2010, investment tax credits recoverable totalled $7,339 (2009 - $4,383) and for the year ended December 31, 2010 investment tax credits received totalled $1,038 (2009 - $1,780).

(h) Investments:

Investments over which the Company does not have significant influence are classified as available-for-sale and are recorded at fair value, with temporary changes in value recognized as part of comprehensive income.

(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, 2010 and 2009, and determined that no impairment in the carrying value of these assets existed.

1. Significant accounting policies (continued):

(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, which best reflects the pattern of benefit or consumption, 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

(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, 2010 and 2009, 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 intangible asset and amortized on a straight-line basis over the life of the debt to which they relate.

1. Significant accounting policies (continued):

(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.

(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 related to projects to customize and install software. The Company makes these assessments by measuring labour hours, costs directly related to the contract, including labour costs, or both incurred to date and estimating the labour hours, direct costs, or both 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 demand 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 impairment of goodwill, and recoverability of 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.

The Company is required to allocate the purchase price of a business combination among the individual assets and liabilities acquired. In certain instances the size, complexity or timing of a business combination makes it impractical to complete the allocation process satisfactorily without causing undue delay in issuing the financial statements for the period in which the combination occurs. In such circumstances, the Company prepares financial statements based on the best allocations that can be made in the time and with the best information that is available and, if necessary, adjusts when the process is completed.

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

1. Significant accounting policies (continued):

(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) 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 for the year ended December 31, 2010, was an increase in general and administration expenses of approximately $2,242, attributable 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 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.

(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 elected to early adopt this standard effective January 1, 2010. There has been 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 groups 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 has not early adopted this guidance in advance of the transition to IFRS.

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

4. Restricted cash:

At December 31, 2010, the Company has $857 (December 31, 2009 - $2,229) held in accordance with escrow agreements related to prior business acquisitions.

5. Short-term investments and marketable securities:

At December 31, 2010, the Company held investments in three (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 year ended December 31, 2010, the Company's investment in one entity was reclassified to an equity classified investment. In addition, the Company's accounting basis for its investment in Gladstone PLC was reclassified from an equity investee to a consolidated subsidiary (refer to note 10(b)).

	2010		2009	
	Cost	Market Value	Cost	Market Value
Common shares	$ 15,320	$ 23,723	$ 19,319	$ 22,323

6. Inventory:

	2010	2009
Raw materials	$ 8,376	$ 2,955
Work in progress	817	499
Finished goods	6,752	9,248
	$ 15,945	$ 12,702

The cost of inventories, including applicable writedowns to net realizable value, included in cost of revenue for the year ended December 31, 2010 amounted to $44,778 (2009 - $17,466).

7. Notes receivable:

Prior to 2009 the Company entered into agreements with VCG Inc. (subsequently VCG LLC) to purchase $4,085 senior subordinated secured notes. 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 assets 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 Warrant component of this instrument constitutes a derivative, and thus 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.

At December 31, 2009 the note component was recorded at amortized cost with an effective interest rate of 16.55%. For the year ended December 31, 2010, the Company recorded interest income related to carrying value accretion of $252 (2009 - $190).

On November 12, 2010, the Company increased its investment in Bond International Software plc ("Bond"). Bond utilized the proceeds of the investment to purchase VCG LLC, one of Bond’s largest North American competitors. The principal value plus accrued interest outstanding to the Company on the VCG LLC notes was repaid in full on the closing of the transaction. The rights associated with warrants were relinquished and the deemed fair value of $200 was recorded as a charge to Other (income) expenses on the Statement of Operations.

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

8. Other long-term assets:

		2010		2009
Share purchase warrants	$	-	$	200
Acquired contract assets (i)		1,057		3,364
Equity investment in investee (ii)		14,698		-
Long term trade receivables and other		3,247		3,605
	$	19,002	$	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 at the date of acquisition. The current portion which amounts to $882 (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 revenue recognized in the statement of operations.

(ii) This investment was previously recognized as a cost investment prior to the acquisition of an additional interest during the period.

9. Other long-term liabilities:

		2010		2009
Acquisition holdbacks	$	2,744	$	2,537
Acquired contract liabilities (i)		33,924		34,120
Acquired liabilities (ii)		-		6,212
Other (iii)		4,962		2,839
	$	41,630	$	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 at the date of acquisition. The current portion which amounts to $10,908 (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 revenue recognized in the statement of operations.

(ii) These liabilities are a component of the Public Transit Solutions business acquired on November 2, 2009. At December 31, 2009 the Company believed additional liabilities may have existed due to uncertainties associated with costs related to acquired contracts and, as such, retained on the balance sheet an amount equal to an estimate of those liabilities pending resolution of ongoing reviews of estimated costs to complete those arrangements. Those matters have now been resolved and reflected in the final purchase price allocation relating to the acquisition. (note 10(e)).

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

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

10. Business acquisitions:

2010

(a) On October 1, 2010, the Company acquired the Cogsdale group of companies ("Cogsdale") for aggregate cash consideration of $24,580 plus cash holdbacks of $2,524 resulting in total consideration of $27,104. The holdbacks are payable over a one year period and are adjusted for claims under the representations and warranties of the agreements. Cogsdale is a leading provider of service-oriented business solutions to local governments and utilities. 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. Due to the size and complexity of the acquisition, the Company is still in the process of resolving the fair value of the assets and liabilities 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:		
Non-cash current assets	$	5,233
Property and equipment		520
Technology assets		20,985
Customer assets		6,704
Backlog		1,729
		35,171
Liabilities assumed:		
Current liabilities		3,037
Deferred revenue		3,568
Other long-term liabilities		1,462
		8,067
Total purchase price consideration	$	27,104

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

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

10. Business acquisitions (continued):

(b) On April 30, 2010, the Company acquired all of the remaining shares, not already held by the Company, of UK-based Gladstone PLC ("Gladstone") for $17,336. 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 $26,870. 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. The following table summarizes the aggregate fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Cash	$	7,653
Other current assets		3,384
Future income taxes		1,655
Property and equipment		2,281
Technology assets		12,276
Customer assets		3,791
Backlog		800
Goodwill		2,636
		34,476
Liabilities assumed:		
Current liabilities		43
Deferred revenue		3,012
Future income taxes		4,551
		7,606
Total purchase price consideration	$	26,870

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)

10. Business acquisitions (continued):

(c) During the year ended December 31, 2010, the Company made nineteen additional acquisitions for aggregate cash consideration of $63,088 plus cash holdbacks of $6,688 resulting in total consideration of $69,776. 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. The acquisitions include software companies catering to the pulp and paper, tourism and attractions, schools, catalog, public transit, agriculture business, health club, health care, and housing finance agency 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 complexity and timing of certain acquisitions, the Company is still in the process of resolving the fair value of the assumed net tangible assets and liabilities acquired as part of the acquisitions. 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	$ 5,691	$ 1,354	$ 7,045
Other current assets	11,196	6,276	17,472
Property and equipment	1,360	511	1,871
Future income taxes	5,850	141	5,991
Technology assets	21,041	20,243	41,284
Customer assets	8,778	7,309	16,087
Backlog	917	-	917
Goodwill	6,917	217	7,134
	61,750	36,051	97,801
Liabilities assumed:			
Current liabilities	5,598	2,742	8,340
Deferred revenue	8,039	4,341	12,380
Future income taxes	2,564	2,706	5,270
Other long term liabilities	131	159	290
	16,332	9,948	26,280
Excess of fair value of net assets acquired over cost	1,745	-	1,745
Total purchase price consideration	$ 43,673	$ 26,103	$ 69,776

10. Business acquisitions (continued):

(d) The goodwill recognized as a result of the 2010 acquisitions is attributable to synergies with existing businesses and other intangibles that do not qualify for separate recognition. Goodwill in the amount of $2,444 is expected to be deductible for income tax purposes.

Negative goodwill totaling $1,745 has arisen on one of the 2010 acquisitions because the fair value of the separately identifiable assets and liabilities acquired exceeded the total consideration paid, principally due to the acquisition of tax attributes that will benefit the Company. The excess of the fair value of net assets acquired over costs on a provisional basis has been recorded as an extraordinary gain in the statement of operations.

The 2010 acquisitions include contingent consideration payable in the maximum amount of $3,693 based on the achievement of certain revenue targets. The obligation for contingent consideration has been recorded at its estimated fair value, determined to be $1,700 at the acquisition dates.

The 2010 business acquisitions contributed revenue of $49,244 and a net loss of $2,020 during the year ended December 31, 2010. Revenue and net loss amounts from acquisitions included in the Public sector were $28,194 and $1,498 respectively. Revenue and net loss amounts from acquisitions in the Private sector were $21,050 and $521 respectively. If the acquisitions would have occurred on January 1, 2010, management estimates that consolidated revenue would have been $680,541 and consolidated net income for the period would have been $38,969. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisitions would have been the same if the acquisition had occurred on January 1, 2010. The net loss from acquisitions is primarily caused by the associated amortization of intangible asset charges included as if the acquisitions had occurred on January 1, 2010.

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

10. Business acquisitions (continued):

2009

(e) On November 2, 2009, the Company acquired the Public Transit Solutions ("PTS") 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 impact of the adjustments to the purchase price and the aggregate fair value of the assets acquired and liabilities assumed at the date of acquisition:

	As of December 31, 2009	Purchase Price Adjustments	As of December 31, 2010
Assets acquired:			
Cash	$ 10,527	$ -	$ 10,527
Other current assets	48,145	7,752	55,897
Property and equipment	210	-	210
Other long-term assets	9,906	2,404	12,310
	68,788	10,156	78,944
Liabilities assumed:			
Current liabilities	24,788	(8,771)	16,017
Deferred revenue	7,110	6,649	13,759
Other long-term liabilities	34,063	1,485	35,548
	65,961	(637)	65,324
Excess of fair value of net assets acquired over cost	-	10,793	10,793
Total purchase price consideration	$ 2,827	$ -	$ 2,827

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

Adjustments made to the purchase price equation 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.

- During the year ended December 31, 2010, the Company received an assessment, from a neutral accounting firm, of 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. The findings indicated a reduction in the purchase price of approximately $6,800. Other current assets were increased by $6,200 during the period primarily as a result of this assessment.

- Revisions to the remaining amounts to be billed and cost to complete estimates for certain long-term contracts resulted in increases to both Other long-term assets and Other long-term liabilities.

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

10. Business acquisitions (continued):

- Reversals of restructuring accrual amounts resulting from a change in estimate reduced $4,765 from Current liabilities. An adjustment to accrual provisions and a reclass to Other long-term liabilities resulted in a further $4,101 adjustment.
- Revisions to cost to complete estimates for certain in-process contracts resulted in increases to Deferred revenue.
- Negative goodwill has arisen on acquisition because the fair value of the separately identifiable assets and liabilities acquired exceeded the total consideration paid. The excess of fair value of net assets acquired over cost has been recorded in income for the year ended December 31, 2010 and shown separately as an extraordinary gain in the statement of operations.

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 $4,000 in the aggregate. As the likelihood of loss is not estimable or determinable, these amounts have not been recorded in the financial statements. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by PTS. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

The Company determined that restructuring actions were required to improve the overall utilization and to reduce overhead costs at PTS. Restructuring actions primarily relate to a reduction in the workforce. The majority of the employees terminated were development and production employees in Switzerland and the workforce reductions are expected to be completed by 2011. Management is in the process of reprioritizing development efforts and assessing customer commitments, the result of which may impact the final restructuring assessment. On a quarterly basis, management has conducted an evaluation of the remaining balances relating to the workforce reduction and revised assumptions and estimates as appropriate.

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		(4,765)		-
Cash payments		(1,064)		(567)
Foreign exchange		(45)		(120)
Ending balance (December 31)	$	416	$	6,290

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

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

10. Business acquisitions (continued):

(f) 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 have subsequently been paid. 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 fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Current assets	$	6,190
Property and equipment		222
Other long-term assets		72
Technology assets		18,881
Customer assets		8,153
Backlog		1,109
		34,627
Liabilities assumed:		
Current liabilities		2,045
Deferred revenue		3,223
Other long-term liabilities		238
		5,506
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):

(g) During the year 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. Holdbacks of $2,423 have subsequently been paid. The remaining holdbacks are payable over a two-year period ending August 3, 2012 and are adjusted for any claims under the representations and warranties of the agreements. In addition, there is contingent consideration payable in the amount of $1,800 based on the achievement of certain revenue and earnings targets. Revenue targets relating to $600 of the total payable amount have subsequently been missed resulting in no payment. The remaining contingent consideration 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 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)

11. Property and equipment:

2010	Cost	Accumulated depreciation	Net book value
Computer hardware	$ 24,405	$ 17,506	$ 6,899
Computer software	10,952	8,535	2,417
Furniture and equipment	13,598	10,446	3,152
Leasehold improvements	4,751	2,722	2,029
Buildings	2,067	134	1,933
	$ 55,773	$ 39,343	$ 16,430

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

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

12. Intangible assets:

2010	Cost	Accumulated amortization	Net book value
Technology assets	$ 329,501	$ 171,513	$ 157,988
Non-compete agreements	2,680	2,197	483
Customer assets	111,314	49,865	61,449
Trademarks	133	120	13
Backlog	13,123	10,794	2,329
Contract related assets	2,923	1,682	1,241
	$ 459,674	$ 236,171	$ 223,503

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

13. Goodwill:

	2010	2009
Opening balance	$ 40,977	$ 39,937
Additions due to acquisitions during the year	9,770	1,050
Adjustments relating to prior period acquisitions	9	(10)
Ending balance	$ 50,756	$ 40,977

(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 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 with no fixed repayment requirements prior to this date. 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, 2010, $47,291 (December 31, 2009 - $43,100) had been drawn from this credit facility, and letters of credit totalling $403 (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.

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 and 2010	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, 2010, the market value of the shares held as collateral was $5,216 (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	(207)	(362)
Interest	28	36
Currency translation adjustment	15	41
Balance, December 31	$ 482	$ 646

17. Other (income) expenses:

	2010	2009
(Gain) loss on sale of short-term investments, marketable securities and other assets	$ (63)	$ 12
Other than temporary decline in value of available-for-sale investments	-	1,474
Equity in net earnings of equity investees	(199)	-
Reduction in fair value of VCG LLC warrants (note 7)	200	-
Other	(113)	(490)
	$ (175)	$ 996

(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, 2010 are as follows:

	2010	2009
Future income tax assets:		
Non-capital income tax loss carryforwards	$ 10,915	$ 4,106
Scientific research and experiment development expenditure pool carryforward	2,736	1,768
Deferred revenue	2,286	2,782
Reserves	3,130	2,207
Property and equipment	2,542	571
Intangible assets	6,204	2,669
Corporate minimum tax and foreign tax credits	1,939	2,624
Contract assets	5,492	5,578
Other, including capital loss carryforwards	6,072	1,614
	41,316	23,919
Less valuation allowance	11,547	6,353
	29,769	17,566
Future income tax liabilities:		
Intangible assets	(26,038)	(23,596)
Property and equipment	(4,646)	(3,441)
Scientific research and experiment development investment tax credits	(1,382)	(1,091)
Contract liabilities	-	(1,057)
Other, including foreign exchange gains	(2,228)	(1,902)
	(34,294)	(31,087)
Net future income taxes	$ (4,525)	$ (13,521)
Current future income tax asset	$ 3,471	$ 4,445
Long-term future income tax asset	22,919	10,155
Current future income tax liability	-	-
Long-term future income tax liability	(30,915)	(28,121)
Net future income taxes	$ (4,525)	$ (13,521)

(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:

	2010	2009
Statutory income tax rate	31.00%	33.00%
Computed income tax expense (recovery) on income (loss) before income taxes	$ 14,511	$ 5,762
Increase (decrease) in income taxes resulting from:		
Effect of changes in enacted tax rates	471	(633)
Change in the valuation allowance for future tax assets	227	(373)
Future tax recovery on net gains recorded in other comprehensive income	(1,260)	-
Permanent differences, including foreign exchange	2,333	5,374
Non-taxable portion of extraordinary gain	(5,146)	-
Adjustment to future tax assets	(1,322)	(1,375)
Foreign tax rate differential	(5,317)	(4,046)
Other including withholding tax	546	2,528
Actual income tax expense	$ 5,043	$ 7,237

As at December 31, 2010, the Company has non-capital income tax losses of $26,961 available to reduce future years' income for Canadian income tax purposes. Canadian losses expire as follows: $3,448 in 2014; $3,448 in 2015; $3,882 in 2026; $3,846 in 2027; $1,674 in 2028; $6,753 in 2029 and $3,910 in 2030.

The Company also has approximately $1,510 and $12,782 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: $89 in 2027; $0 in 2028; $320 in 2029 and $1,101 in 2030. $4,563 of losses available in the rest of the world will expire in 2017. The remainder of those losses can be carried forward indefinitely.

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

19. Income per share:

		2010		2009
Numerator:				
Net income	$	41,766	$	10,224
Denominator:				
Weighted average number of shares (in '000):				
Basic		21,179		21,165
Effect of dilutive securities:				
Shares secured by shareholder loans		13		27
Diluted		21,192		21,192
Net income per share:				
Basic	$	1.97	$	0.48
Diluted	$	1.97	$	0.48

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, 2010, 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.

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

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.

(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		237

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:

		2010		2009
Interest expense on credit facilities (Other financial liability)	$	4,286	$	3,553
Interest income on notes receivable (Loans and receivables)		(683)		(680)
Bank interest (Held for trading)		-		(135)
Interest income on shareholder loans		(28)		(36)
Other financing interest		272		-
		3,847		2,702

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, 2010, 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	$ 1,635	$ 2,110	$ 951	$ 955
Restricted cash	-	-	-	-
Short-term investments and marketable securities available for sale	4,043	3,658	-	-
Accounts receivable	15,266	11,417	5,755	4,051
Other financial assets	23,362	3,231	5,259	2,245
Accounts payable and accrued liabilities	(32,573)	(9,623)	(10,562)	(1,101)
Other financial liabilities	(69,951)	(7,559)	-	(68)
Shareholder loans	101	-	-	-
Net financial assets	$ (58,118)	$ 3,234	$ 1,403	$ 6,083

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 (loss)	$ (622)	$ (4)	$ 14	$ 61
Comprehensive income (loss)	(581)	32	14	61

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, 2010, the undrawn portion of the Company's bank credit facility was $112,306. Utilizations include advances borrowed under the bank credit facility and letters of credit outstanding.

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 three 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, 2010, 28% of the Company's accounts receivable balance is over 90 days past due versus 24% at December 31, 2009. Accounts receivable are net of allowance for doubtful accounts of $8,287 at December 31, 2010 (December 31, 2009 - $5,618).

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, 2010.

(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
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 5).

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

(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, 2009 and 2010 are summarized below. The Company has no financial liabilities measured at fair value.

	2010			2009		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Restricted cash	$ 857	$ -	$ 857	$ 2,229	$ -	$ 2,229
Short term investments and marketable securities	23,723	-	23,723	22,323	-	22,323
	$ 24,580	$ -	$24,580	$ 24,552	$ -	$ 24,580

There were no transfers of fair value measurements between level 1 and level 2 of the fair value hierarchy in 2009 and 2010.

22. Segmented information:

(a) Reportable segments:

The Company has a number of operating groups, 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 these annual financial statements. The Company evaluates performance of the Public Sector business units and the Private Sector business units 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)

22. Segmented information (continued):

2010	Public Sector	Private Sector	Other	Total
Revenue	$ 471,724	$ 159,133	$ -	$ 630,857
Cost of revenue	207,623	54,946	-	262,569
	264,101	104,187	-	368,288
Research and development	60,731	24,149	-	84,880
Sales and marketing	38,632	19,678	-	58,310
General and administration	74,333	34,335	-	108,668
Depreciation	4,477	1,559	-	6,036
	178,173	79,721	-	257,894
Income before the undernoted	85,928	24,466	-	110,394
Amortization of intangible assets	50,762	18,592	710	70,064
Other income	(63)	(1)	(111)	(175)
Interest (income) expense, net	243	(9)	3,613	3,847
Foreign exchange loss (gain)	358	2,304	(275)	2,387
Inter-company expenses (income)	7,326	4,094	(11,420)	-
Income before income taxes	27,302	(514)	7,483	34,271
Excess on acquisition of fair value of net assets of subsidiary over cost	12,538	-	-	12,538
Income taxes (recovery):				
Current	16,400	3,665	(3,104)	16,961
Future	(7,355)	(3,302)	(1,261)	(11,918)
	9,045	363	(4,365)	5,043
Net Income	$ 30,795	$ (877)	$ 11,848	$ 41,766
Other selected information:				
Goodwill acquired	$ 6,918	$ 2,852	$ -	$ 9,770
Property and equipment purchased	$ 6,029	$ 1,032	$ 31	$ 7,092
Total assets	$ 359,946	$ 79,385	$ 114,082	$ 553,413

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

22. Segmented information (continued):

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 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	$ 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	$ 324,965	$ 104,254	$ 42,772	$ 471,991

(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:

2010	Canada	USA	UK/Europe	Other	Total
Revenue	$ 128,083	$ 348,412	$ 126,764	$ 27,598	$ 630,857
Property and equipment	5,505	5,814	4,964	147	16,430
Goodwill and other intangible assets	101,874	97,205	41,340	33,840	274,259

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

23. Change in non-cash operating working capital:

	2010	2009
Decrease (increase) in accounts receivable	$ 11,646	$ 4,928
Increase in work in progress	(908)	(1,450)
(Increase) decrease in inventory	(1,029)	854
Decrease (increase) in prepaid expenses and other current assets	2,503	(1,916)
Increase (decrease) in accounts payable and accrued liabilities excluding holdbacks from acquisitions	(2,181)	11,809
Increase (decrease) in deferred revenue	3,192	(3,431)
Increase (decrease) in income taxes payable	(3,700)	621
	$ 9,523	$ 11,415

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

24. 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	6,071	4,853
Net unrealized foreign exchange gain (loss) on available-for-sale financial assets during the period	61	426
Reclassification of unrealized gain from prior periods upon derecognition of available-for-sale investments (note 9(b))	(733)	-
Amounts reclassified to net income during the period related to other than temporary losses in available-for-sale investments	-	1,474
Future tax expense on unrealized net gains	(1,260)	-
Foreign currency translation adjustment	1,310	(9)
Balance, December 31	$ 5,292	$ (157)

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 2010 was $13,255 (2009 - $9,133). The annual minimum lease commitments are as follows:

2011	$ 13,719
2012	12,346
2013	10,707
2014	8,809
2015	7,331
Thereafter	10,758
	$ 63,670

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.

On September 30, 2008, the Company acquired certain assets and liabilities of Maximus Inc.'s Asset, Justice, and Education Solutions businesses ("MAJES"). The Company also acquired certain long-term contracts that contain contingent liabilities that may, but are unlikely to, exceed $13,000 in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by MAJES and for estimated damages available to customers for breaches of such contracts by MAJES where such contracts did not contain specified penalties. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

On November 2, 2009, the Company acquired certain assets and liabilities of the Public Transit Solutions ("PTS") business of Continental Automotive AG. The Company also acquired contingent liabilities related to certain long-term contracts that may, but are unlikely to, exceed $4,000 in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by PTS. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

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 and related contingencies total approximately $25,956 (2009 - $55,789). No liability has been recorded in the consolidated financial statements.

(b) As at December 31, 2010, in the normal course of business, the Company and its subsidiaries have outstanding letters of credit totalling $403 (2009 - nil).

(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, 2010, the Company completed two acquisitions for cash consideration of $10,400 on closing plus holdbacks of $550.

On March 2, 2011 the Company declared a $2.00 per share dividend that is payable on March 31, 2011 to all common shareholders and Class A non-voting shareholders of record at close of business on March 17, 2011.

28. Comparative figures:

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