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

CONSTELLATION SOFTWARE INC.

For the three and six month periods ended June 30, 2011 and 2010
(Unaudited)

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Financial Position
(In thousands of U.S. dollars)

(Unaudited)

	June 30, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash	$ 30,212	$ 30,911	$ 33,249
Equity securities available-for-sale (note 5)	26,951	23,723	22,323
Accounts receivable	104,777	92,097	95,992
Work in progress	30,243	24,408	22,516
Inventories	20,205	15,945	14,320
Other assets (note 6)	26,988	26,463	26,261
	239,376	213,547	214,661
Non-current assets:			
Property and equipment	14,851	13,469	8,226
Deferred income taxes (note 9)	107,509	27,170	15,765
Other assets (note 6)	27,314	23,548	13,879
Intangible assets	293,685	269,987	222,239
	443,359	334,174	260,109
Total assets	$ 682,735	$ 547,721	$ 474,770
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness (note 7)	$ 102,122	$ 46,041	$ 41,153
Accounts payable and accrued liabilities	88,232	104,905	86,639
Deferred revenue	185,669	158,025	135,299
Provisions (note 8)	2,592	2,253	8,312
Acquired contract liabilities	7,535	10,908	7,652
Acquisition holdback payments	12,726	6,920	3,587
Income taxes payable	3,065	1,424	3,757
	401,941	330,476	286,399
Non-current liabilities:			
Deferred income taxes (note 9)	12,104	29,611	27,307
Acquired contract liabilities	31,164	35,633	41,482
Acquisition holdback payments	2,970	2,744	2,537
Other liabilities	9,609	6,206	4,018
	55,847	74,194	75,344
Total liabilities	457,788	404,670	361,743
Shareholders' equity (note 10):			
Capital stock	99,283	99,283	99,283
Accumulated other comprehensive income	9,027	7,575	3,004
Retained earnings	116,637	36,193	10,740
	224,947	143,051	113,027
Total liabilities and shareholders' equity	$ 682,735	$ 547,721	$ 474,770

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenue (note 11)	$ 195,099	$ 153,545	$ 372,731	$ 298,391
Expenses				
Staff	100,687	88,534	196,606	174,853
Hardware	16,763	8,337	28,884	17,674
Third party license, maintenance and professional services	11,949	8,872	24,612	16,534
Occupancy	4,715	4,047	9,303	7,983
Travel	7,190	5,898	13,458	11,157
Telecommunications	2,344	2,226	4,881	4,577
Supplies	4,133	2,900	8,296	5,584
Professional fees	2,584	2,589	4,720	3,839
Other	2,972	2,159	5,175	4,365
Income before the undernoted	41,762	27,983	76,796	51,825
Depreciation	1,956	1,518	4,082	2,764
Amortization of intangible assets	18,073	16,926	36,598	31,884
Foreign exchange	1,868	1,000	3,933	421
Finance income (note 12)	(3,004)	(310)	(3,372)	(594)
Finance costs (note 12)	1,966	1,405	3,127	2,357
	20,859	20,539	44,368	36,832
Profit before income tax	20,903	7,444	32,428	14,993
Current income tax expense	5,469	4,711	8,477	8,306
Deferred income tax expense (recovery)	(43,165)	411	(98,877)	(3,666)
Income tax expense (recovery) (note 9)	(37,696)	5,122	(90,400)	4,640
Net income	58,599	2,322	122,828	10,353
Net change in fair value on available-for-sale financial assets during the period	240	410	3,565	2,484
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period	9	(89)	218	(440)
Reclassification of unrealized gain upon derecognition of available-for-sale investments	-	-	-	(696)
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments	(2,778)	-	(3,112)	-
Deferred tax (expense) recovery on net gains noted above	458	(48)	(22)	(652)
Foreign currency translation differences from foreign operations	(300)	381	803	371
Other comprehensive income for the period, net of income tax	(2,371)	654	1,452	1,067
Total comprehensive income for the period	$ 56,228	$ 2,976	$ 124,280	$ 11,420
Earnings per share				
Basic and diluted (note 13)	$ 2.77	$ 0.11	$ 5.80	$ 0.49

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

(Unaudited)

Six months ended June 30, 2011	Capital stock	Accumulated other comprehensive income/(loss) Cumulative translation account	Accumulated other comprehensive income/(loss) Amounts related to gains/losses on available-for-sale financial assets	Total accumulated other comprehensive income/(loss)	Retained earnings	Total
Balance at January 1, 2011	**$ 99,283**	**$ 432**	**$ 7,143**	**$ 7,575**	**$ 36,193**	**$ 143,051**
Total comprehensive income for the period						
Net income					122,828	122,828
Other comprehensive income (loss)						
Net change in fair value on available-for-sale financial assets during the period			3,565	3,565	-	3,565
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			218	218	-	218
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments			(3,112)	(3,112)	-	(3,112)
Deferred tax expense on net gains noted above			(22)	(22)	-	(22)
Foreign currency translation adjustment		803		803	-	803
Total other comprehensive income (loss) for the period		**803**	**649**	**1,452**	**-**	**1,452**
Total comprehensive income for the period		**803**	**649**	**1,452**	**122,828**	**124,280**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 10)					(42,384)	(42,384)
Balance at June 30, 2011	**$ 99,283**	**$ 1,235**	**$ 7,792**	**$ 9,027**	**$ 116,637**	**$ 224,947**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

(Unaudited)

Six months ended June 30, 2010	Capital stock	Accumulated other comprehensive income/(loss): Cumulative translation account	Accumulated other comprehensive income/(loss): Amounts related to gains/losses on available-for-sale financial assets	Total accumulated other comprehensive income/(loss)	Retained earnings	Total
Balance at January 1, 2010	**$ 99,283**	**$ -**	**$ 3,004**	**$ 3,004**	**$ 10,740**	**$ 113,027**
Total comprehensive income for the period						
Net income					10,353	10,353
Other comprehensive income (loss)						
Net change in fair value on available-for-sale financial assets during the period			2,484	2,484	-	2,484
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			(440)	(440)	-	(440)
Reclassification of unrealized gain from prior periods upon derecognition of available-for-sale investments			(696)	(696)	-	(696)
Deferred tax expense on net gains noted above			(652)	(652)	-	(652)
Foreign currency translation adjustment		371	-	371	-	371
Total other comprehensive income (loss) for the period		**371**	**696**	**1,067**	**-**	**1,067**
Total comprehensive income for the period		**371**	**696**	**1,067**	**10,353**	**11,420**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 10)					(5,510)	(5,510)
Balance at June 30, 2010	**$ 99,283**	**$ 371**	**$ 3,700**	**$ 4,071**	**$ 15,583**	**$ 118,937**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Cash flows from operating activities:				
Net income	$ 58,599	$ 2,322	$ 122,828	$ 10,353
Adjustments for:				
Depreciation	1,956	1,518	4,082	2,764
Amortization of intangible assets	18,073	16,926	36,598	31,884
Finance income	(3,004)	(310)	(3,372)	(594)
Finance costs	1,966	1,405	3,127	2,357
Income tax (recovery) expense	(37,696)	5,122	(90,400)	4,640
Foreign exchange	1,868	1,000	3,933	421
Change in non-cash operating working capital (note 16)	(29,572)	5,616	(42,948)	(4,829)
Income taxes paid	(4,349)	(1,148)	(6,728)	(5,216)
Net cash flows from operating activities	7,841	32,451	27,120	41,780
Cash flows from financing activities:				
Interest paid	(1,576)	(1,250)	(2,463)	(2,132)
Increase (decrease) in other non current liabilities	(246)	454	(159)	507
Increase in bank indebtedness, net	17,071	889	55,715	16,354
Dividends paid	-	-	(42,384)	(5,510)
Net cash flows from financing activities	15,249	93	10,709	9,219
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired (note 4)	(21,153)	(24,644)	(31,544)	(39,905)
Post acquisition settlement payments, net of receipts	(47)	(1,875)	(1,099)	(2,893)
Purchases of available-for-sale equity securities	(4,695)	(1,031)	(5,944)	(8,248)
Proceeds from sale of available-for-sale equity securities	5,845	-	6,488	-
Decrease in restricted cash	-	1,729	450	1,272
Interest and dividends received	117	36	154	79
Decrease in other non-current assets	-	543	-	848
Property and equipment purchased	(1,465)	(1,633)	(4,064)	(3,223)
Cash flows used in investing activities	(21,398)	(26,875)	(35,559)	(52,070)
Effect of currency translation adjustment on cash and cash equivalents	(1,623)	(1,704)	(2,969)	(1,816)
Increase (decrease) in cash and cash equivalents	69	3,965	(699)	(2,887)
Cash, beginning of period	30,143	26,397	30,911	33,249
Cash, end of period	$ 30,212	$ 30,362	$ 30,212	$ 30,362

See accompanying notes to the condensed consolidated interim financial statements.

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

1. Reporting entity

Constellation Software Inc. ("Constellation") is a company domiciled in Canada. The address of Constellation's registered office is 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada. The condensed consolidated interim financial statements of Constellation as at and for the three and six months ended June 30, 2011 comprise Constellation and its subsidiaries (together referred to as the "Company") and the Company's interest in associates. The Company, through its defined 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	Municipal systems	Metal service centres
Paratransit operators	School administration	Homebuilders
School transportation	Public safety	Lease management
Non-emergency medical	Healthcare	Winery management
Ride share	Public housing authorities	Buy here pay here dealers
Local government	Housing finance agencies	RV and marine dealers
Municipal treasury and debt	Real estate brokers and agents	Pulp and paper manufacturers
Taxi dispatch	Construction	Window manufacturers
Agri-business	Private clubs and daily fee golf courses	Cabinet manufacturers
Equipment rental		Made-to-order manufacturers
Courts	Attractions	Window and other dealers
Fleet and facility management	Food services	Multi-carrier shipping
Electric utilities	Health clubs	Supply chain optimization
Water utilities	Outdoor equipment dealerships	Multi-channel distribution
District attorney	Leisure centers	Moving and storage

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. These accounting policies are disclosed in Note 2 of the Company’s 2011 first quarter condensed consolidated interim financial statements.

The Company has elected January 1, 2010 as the date of transition to IFRS (the "Transition Date"). IFRS 1, First-time Adoption of IFRS ("IFRS 1"), has been applied. An explanation of how the transition to IFRS has affected the interim condensed consolidated financial statements is included in note 18, consistent with the disclosure contained in the initial financial statement prepared in accordance with IFRS. As these interim condensed consolidated financial statements are prepared using IFRS, certain disclosures that are required to be included in the annual consolidated financial statements prepared in accordance with IFRS were included in the Company’s 2011 first quarter condensed consolidated interim financial statements.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of August 3, 2011, the date the Board of Directors approved the interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s 2010 annual audited financial statements and in consideration of the IFRS transition disclosures included in note 18 to these financial statements and the additional disclosures included herein.

2. Basis of preparation (continued)

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, which are measured at fair value.

(c) Functional and presentation currency

The condensed consolidated interim financial statements are presented in US dollars, which is Constellation's functional currency.

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect on comprehensive income, when, and if, better information is obtained.

3. Significant accounting policies

The significant accounting policies used in preparing these Condensed Consolidated Interim Financial Statements are unchanged from those disclosed in the Company's Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2011.

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

4. Business acquisitions

(a) During the six months ended June 30, 2011, the Company closed fourteen acquisitions for aggregate cash consideration of $36,064 plus cash holdbacks of $7,686, resulting in total consideration of $43,750. Of the fourteen acquisitions, the Company acquired 100% of the shares of seven companies and acquired the net assets of the other seven companies. The holdbacks are payable over a three-year period and are adjusted, as necessary, for claims under the respective representations and warranties of the agreements. The acquisitions include software companies catering to the agri-business, supply chain optimisation, moving and storage, private clubs and daily fee golf courses, local government, public safety, RV and marine dealer, cabinet manufacturers, health clubs and school administration, all of which are software businesses similar to existing businesses operated by the company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these condensed consolidated interim financial statements from the date of each acquisition. The goodwill recognized in connection with these acquisitions is attributable to synergies with existing businesses and other intangibles that do not qualify for separate recognition. Goodwill in the amount of $3,602 is expected to be deductible for income tax purposes. Due to the complexity and timing of certain acquisitions, the Company is still in the process of determining and finalizing the fair value of the assets and liabilities acquired as part of the acquisitions. Eight of the acquisitions have been included in the private reportable segment and six have been included in the public reportable segment. The following table summarizes, by reportable segment, the aggregate preliminary estimated fair value of the assets acquired and liabilities, as well as deferred income taxes, assumed at the date of each acquisition:

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	599	3,921	4,520
Accounts receivable	4,678	2,255	6,933
Other current assets	342	529	871
Property and equipment	297	843	1,140
Other long term assets	-	187	187
Deferred income taxes	-	361	361
Technology assets	18,422	14,005	32,427
Customer assets	11,910	7,194	19,104
Goodwill	3,893	1,432	5,325
	40,141	30,727	70,868
Liabilities assumed:			
Current liabilities	357	5,754	6,111
Deferred revenue	14,031	2,038	16,069
Deferred income taxes	324	1,210	1,534
Other long term liabilities	2,558	846	3,404
	17,270	9,848	27,118
Total purchase price consideration	22,871	20,879	43,750

During the period the Company also acquired 50% of the shares of a software company catering to private clubs for consideration of nil. This acquisition has been accounted for as an associate.

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

4. Business acquisitions (continued)

(b) During the six months ended June 30, 2010, the Company made thirteen acquisitions for aggregate cash consideration of $37,992 plus cash holdbacks of $4,647 resulting in total consideration of $42,639. The holdbacks are payable over a three-year period ending June 25, 2013 and are adjusted, as necessary, for claims under the representations and warranties of the agreements. Holdbacks of $4,268 have subsequently been paid. In addition, there is contingent consideration payable in the maximum amount of $781, contingent on the achievement of certain revenue targets. The obligation 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, all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these condensed consolidated interim financial statements from the date of each acquisition. The goodwill recognized in connection with these acquisitions is attributable to synergies with existing businesses and other intangibles that do not qualify for separate recognition. Goodwill in the amount of $217 is expected to be deductible for income tax purposes. Eight of the acquisitions have been allocated to the private reportable segment and five have been allocated to the public reportable segment. The following table summarizes by reportable segment the aggregate estimated fair value of the assets acquired and liabilities as well as deferred income taxes, assumed at the date of each acquisition:

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 4,692	$ 1,354	$ 6,046
Accounts receivable	3,167	3,790	6,957
Other current assets	870	947	1,817
Property and equipment	1,115	374	1,489
Technology assets	11,085	17,034	28,119
Customer assets	4,973	5,748	10,721
Goodwill	4,324	217	4,541
	30,226	29,464	59,690
Liabilities assumed:			
Current liabilities	3,442	2,143	5,585
Deferred revenue	4,205	2,959	7,164
Deferred income taxes	2,564	1,448	4,012
Other long term liabilities	131	159	290
	10,342	6,709	17,051
Total purchase price consideration	$ 19,884	$ 22,755	$ 42,639

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

4. Business acquisitions (continued)

(c) 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 $17,295. As at March 31, 2010 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 acquiring control was $26,870. There was no material 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 goodwill recognized as a result of the acquisitions is attributable to synergies with existing businesses and other intangibles that do not qualify for separate recognition. The goodwill recognized is not deductible for income tax purposes. The following table summarizes the aggregate estimated fair value of the assets acquired and liabilities at the date of acquisition:

Assets acquired:		
Cash	$	7,653
Accounts receivable		2,886
Other current assets		498
Deferred 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
Deferred income taxes		4,551
		7,606
Total purchase price consideration	$	26,870

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

4. Business acquisitions (continued)

(d) The 2011 acquisitions include contingent consideration payable on the achievement of certain revenue and income targets. The obligation for contingent consideration for acquisitions during the six months ended June 30, 2011 has been recorded at its estimated fair value, which has been determined to be $4,036 at the various acquisition dates. As part of these arrangements, which included both the maximum and unlimited contingent consideration amounts, the estimated outcome is not expected to exceed a maximum of $7,428 which is representative of the Company's current assessment relative to the applicable targets. Aggregate contingent consideration of $7,119 (December 31, 2010 - $2,944; January 1, 2010 - $1,145) has been reported at its estimated fair value relating to applicable acquisitions since 2009 and is reported in other liabilities in the statement of financial position.

The 2011 business acquisitions contributed revenue of $9,973 and a net income of $412 during the six months ended June 30, 2011. Revenue and net income amounts from acquisitions included in the Public sector were $8,225 and $334 respectively. Revenue and net income amounts from acquisitions in the Private sector were $1,748 and $78 respectively. If the acquisitions would have occurred on January 1, 2011, management estimates that consolidated revenue would have been $384,384 and consolidated net income for the period would have been $120,887 as compared to the amounts reported in the statement of comprehensive income for the period. 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, 2011. 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, 2011.

5. Equity securities available-for-sale

At June 30, 2011, the Company held investments in five (December 31, 2010 - three; January 1, 2010 - five) public companies listed in the U.S., Australia 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.

	June 30, 2011		December 31, 2010		January 1, 2010	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Common shares	$ 17,875	$ 26,951	$ 15,320	$23,723	$ 19,139	$ 22,323

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

6. Other assets

	June 30, 2011	December 31, 2010	January 1, 2010
Prepaid assets	$ 23,213	$ 21,652	$ 16,014
Investment tax credits recoverable	3,005	3,929	2,250
Notes receivable (ii)	-	-	3,833
Acquired contract assets	770	882	4,164
Total current	$ 26,988	$ 26,463	$ 26,261
Restricted cash (i)	$ 407	$ 857	$ 2,229
Investment tax credits recoverable	5,148	3,410	2,133
Long-term trade and other receivables	3,331	3,247	3,605
Share purchase warrants (ii)	-	-	200
Investment in associates	14,621	14,698	-
Acquired contract assets	3,807	1,336	5,712
Total non-current	$ 27,314	$ 23,548	$ 13,879

(i) Restricted cash

Restricted cash is held in accordance with various escrow agreements related to prior and current period business acquisitions.

(ii) Notes receivable and share purchase warrants

Prior to 2009 the Company entered into agreements with VCG Inc. (subsequently VCG LLC) to purchase $4,085 senior subordinated secured notes. These notes bore 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 constituted a derivative, and accordingly, was valued separately from the value of the notes. 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 in profit or loss as a charge to finance expense.

7. Bank indebtedness

The Company has an operating line-of-credit with a syndicate of Canadian chartered banks and U.S. banks in the amount of $160,000 (December 31, 2010 - $160,000; January 1, 2010 - $160,000). The line-of-credit bears a variable interest rate and is due in full on September 30, 2012 with no fixed repayment required. 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 debt covenants. As at June 30, 2011, $103,000 (December 31, 2010 - $47,291; January 1, 2010 - $43,100) had been drawn from this credit facility, and letters of credit totalling $457 (December 31, 2010 - $403; January 1, 2010 - nil) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. As the Company has consistently generated sufficient cash flows from operating activities to repay the drawn and outstanding portion of the credit facility within one year and expects and has the intent to do so in the future, the amount drawn has been classified as a current liability on the statement of financial position. The Company capitalized transaction costs associated with the line-of-credit which are being amortized through profit or loss using the effective interest rate method. As at June 30, 2011, $878 (December 31, 2010 - $1,250; January 1, 2010 - $1,947) of transaction costs are remaining.

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

8. Provisions

	Restructuring	Other	Total
At January 1, 2010	$ 6,290	$ 2,022	$ 8,312
Reversal	(4,765)	-	(4,765)
Provisions made during the period	-	847	847
Provisions used during the period	(1,064)	(1,010)	(2,074)
Effect of movements in foreign exchange	(45)	(22)	(67)
At December 31, 2010	$ 416	$ 1,837	$ 2,253
At January 1, 2011	$ 416	$ 1,837	$ 2,253
Provisions made during the period	-	309	309
Provisions used during the period	-	(88)	(88)
Effect of movements in foreign exchange	83	35	118
At June 30, 2011	$ 499	$ 2,093	$ 2,592

Restructuring
The Company determined that restructuring actions were required to improve the overall utilization and reduce overhead costs at the Public Transit Solutions ("PTS") business unit. Restructuring actions include consolidating facilities and reducing the workforce. The majority of the employees terminated are development and production employees in Switzerland and the remaining workforce reductions are expected to be completed by the end of 2011.

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

9. Income taxes

Income tax expense is recognized based on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period. As a result of foreign exchange fluctuations, acquisitions and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, management has determined that is not meaningful to estimate a weighted average annual tax rate on a consolidated basis. The Company's consolidated effective tax rate in respect of continuing operations for the six months ended June 30, 2011 was negative 279 percent (Six months ended June 30, 2010 - 31 percent). The change in the effective tax rate and corresponding recognition of a deferred tax asset, was primarily due to the inter-jurisdictional transfer of certain intangible assets between entities within the Company, as well as the corporate migration of certain entities from one jurisdiction to another, during the period. Deferred tax assets were recorded on the increase in fair market value arising on the sale of assets between entities and the additional deductible tax basis arising as a result of the inter-jurisdictional migration of entities within the Company at the purchaser’s tax rate, and in the case of the corporate migration at the tax rate in the immigrating jurisdiction, notwithstanding that the resulting gains were not otherwise recorded for profit or loss purposes. The deferred income tax recovery recorded through profit or loss represents the amount of the temporary differences that the Company has determined is probable of being utilized for income tax deduction purposes in the future. The Company does not expect a similar deferred income tax recovery relating to a corporate migration of entities within the Company or an inter-jurisdictional transfer of intangible assets for the remainder of 2011.

10. Capital and other components of shareholders' equity

Capital stock

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 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.

	Common shares		Class A non-voting		Total	
	Number	Amount	Number	Amount	Number	Amount
June 30, 2011 and December 31, 2010	17,504	$ 86,794	3,688	$ 12,489	21,192	$ 99,283

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) is comprised of the following separate components of equity:

Cumulative translation account
The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Amounts related to available-for-sale financial assets
Available-for-sale differences comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Dividends

During the six months ended June 30, 2011, the Company declared and paid dividends of $2.00 per common and class A non-voting share (Six months ended June 30, 2010 - $0.26 per share).

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

11. Revenue

The Company sub-classifies revenue within the following: license revenue, maintenance revenue, professional service revenue and hardware and other revenue. Software license revenue is comprised of license fees charged for the use of software products licensed under single-year, multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable. Professional service revenue consists of fees charged for implementation services, custom programming, product training and consulting. Hardware and other revenue include the resale of third party hardware as well as sales of hardware assembled internally. Maintenance revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, recurring fees derived from combined software/support contracts, transaction revenues, and hosted products.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
License revenue	$ 15,568	$ 11,471	$ 29,974	$ 21,932
Professional services revenue	47,616	42,547	89,405	83,697
Hardware and other revenue	28,717	14,983	51,104	31,774
Maintenance revenue	103,198	84,544	202,248	160,988
Total	$ 195,099	$ 153,545	$ 372,731	$ 298,391

12. Finance income and Finance costs

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Interest income	$ (69)	$ (243)	$ (103)	$ (481)
Dividend income	(99)	(31)	(99)	(31)
Other investments:				
Gain on sale of equity securities and other assets	(2,836)	(36)	(3,170)	(82)
Finance income	$ (3,004)	$ (310)	$ (3,372)	$ (594)
Interest expense, and other	1,966	1,405	3,127	2,357
Finance costs	$ 1,966	$ 1,405	$ 3,127	$ 2,357

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

13. Earnings per share

Basic and diluted earnings per share

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Numerator:				
Net income	$ 58,599	$ 2,322	$ 122,828	$ 10,353
Denominator:				
Basic and diluted shares outstanding	21,192	21,192	21,192	21,192
Earnings per share				
Basic and diluted	$ 2.77	$ 0.11	$ 5.80	$ 0.49

14. Operating Segments

Segment information is presented in respect of the Company's business and geographical segments. The accounting policies of the segments are the same as those applied to prepare these condensed consolidated interim financial statements.

Reportable segments

The Company has six operating segments which have been aggregated into two reportable segments in accordance with IFRS 8 *Operating Segments* . The Company's Public Sector segment develops and distributes software solutions primarily to government and government-related customers. The Company's Private Sector segment develops and distributes software solutions primarily to commercial customers.

The determination that the Company has two reportable segments is based primarily on the assessment that differences in economic cycles and processes and procedures for securing contracts between governmental clients and commercial clients are significant enough to warrant distinct segmented disclosures.

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)

14. Operating Segments (continued)

Three months ended June 30, 2011	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 146,240	$ 48,859	$ -	$ 195,099
Expenses				
Staff	72,364	28,323	-	100,687
Hardware	14,806	1,957	-	16,763
Third party license, maintenance and professional services	8,400	3,549	-	11,949
Occupancy	3,346	1,369	-	4,715
Travel	5,817	1,373	-	7,190
Telecommunications	1,571	773	-	2,344
Supplies	3,539	594	-	4,133
Professional fees	1,864	720	-	2,584
Other	1,922	1,050	-	2,972
Income before the undernoted	32,611	9,151	-	41,762
Depreciation	1,510	446	-	1,956
Amortization of intangible assets	14,045	4,028	-	18,073
Foreign exchange	1,032	33	803	1,868
Finance income	(108)	(15)	(2,881)	(3,004)
Finance costs	44	39	1,883	1,966
Inter-company expenses (income)	5,235	2,455	(7,690)	-
	21,758	6,986	(7,885)	20,859
Profit before tax	10,853	2,165	7,885	20,903
Current income tax expense (recovery)	4,330	1,318	(179)	5,469
Deferred income tax expense (recovery)	(22,541)	(21,083)	459	(43,165)
Income tax recovery	(18,211)	(19,765)	280	(37,696)
Net income	$ 29,064	$ 21,930	$ 7,605	$ 58,599

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

14. Operating Segments (continued)

Six months ended June 30, 2011	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 277,190	$ 95,541	$ -	$ 372,731
Expenses				
Staff	141,335	55,271	-	196,606
Hardware	25,288	3,596	-	28,884
Third party license, maintenance and professional services	17,265	7,347	-	24,612
Occupancy	6,621	2,682	-	9,303
Travel	10,739	2,719	-	13,458
Telecommunications	3,356	1,525	-	4,881
Supplies	7,040	1,256	-	8,296
Professional fees	3,432	1,288	-	4,720
Other	2,864	2,311	-	5,175
Income before the undernoted	59,250	17,546	-	76,796
Depreciation	3,203	879	-	4,082
Amortization of intangible assets	27,855	8,743	-	36,598
Foreign exchange	1,668	1,204	1,061	3,933
Finance income	(117)	(34)	(3,221)	(3,372)
Finance costs	104	78	2,945	3,127
Inter-company expenses (income)	9,495	4,440	(13,935)	-
	42,208	15,310	(13,150)	44,368
Profit before tax	17,042	2,236	13,150	32,428
Current income tax expense (recovery)	7,160	2,072	(755)	8,477
Deferred income tax expense (recovery)	(60,274)	(38,582)	(21)	(98,877)
Income tax expense (recovery)	(53,114)	(36,510)	(776)	(90,400)
Net income	$ 70,156	$ 38,746	$ 13,926	$ 122,828

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

14. Operating Segments (continued)

Three months ended June 30, 2010	Public Sector	Private Sector	Other	Total
Revenue	$ 114,188	$ 39,357	$ -	$ 153,545
Expenses				
Staff	63,819	24,715	-	88,534
Hardware	7,017	1,320	-	8,337
Third party license, maintenance and professional services	5,801	3,071	-	8,872
Occupancy	2,802	1,245	-	4,047
Travel	4,747	1,151	-	5,898
Telecommunications	1,545	681	-	2,226
Supplies	2,337	563	-	2,900
Professional fees	2,112	477	-	2,589
Other	1,240	919	-	2,159
Income before the undernoted	22,768	5,215	-	27,983
Depreciation	1,144	374	-	1,518
Amortization of intangible assets	12,096	4,830	-	16,926
Foreign exchange	88	(764)	1,676	1,000
Finance income	(91)	6	(225)	(310)
Finance costs	35	39	1,331	1,405
Inter-company expenses (income)	1,022	1,022	(2,044)	-
	14,294	5,507	738	20,539
Profit (loss) before tax	8,474	(292)	(738)	7,444
Current income tax expense (recovery)	5,061	299	(649)	4,711
Deferred income tax expense (recovery)	1,049	(590)	(48)	411
Income tax expense (recovery)	6,110	(291)	(697)	5,122
Net income (loss)	$ 2,364	$ (1)	$ (41)	$ 2,322

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

14. Operating Segments (continued)

Six months ended June 30, 2010	Public Sector	Private Sector	Other	Total
Revenue	$ 225,365	$ 73,026	$ -	$ 298,391
Expenses				
Staff	130,010	44,843	-	174,853
Hardware	15,546	2,128	-	17,674
Third party license, maintenance and professional services	11,326	5,208	-	16,534
Occupancy	5,645	2,338	-	7,983
Travel	9,016	2,141	-	11,157
Telecommunications	3,315	1,262	-	4,577
Supplies	4,516	1,068	-	5,584
Professional fees	2,846	993	-	3,839
Other	2,340	2,025	-	4,365
Income before the undernoted	40,805	11,020	-	51,825
Depreciation	2,103	661	-	2,764
Amortization	23,960	7,924	-	31,884
Foreign exchange	472	205	(256)	421
Finance income	(136)	(39)	(419)	(594)
Finance costs	50	74	2,233	2,357
Inter-company expenses (income)	2,000	1,984	(3,984)	-
	28,449	10,809	(2,426)	36,832
Profit before tax	12,356	211	2,426	14,993
Current income tax expense (recovery)	8,443	1,254	(1,391)	8,306
Deferred income tax recovery	(1,496)	(1,517)	(653)	(3,666)
Income tax expense (recovery)	6,947	(263)	(2,044)	4,640
Net income	$ 5,409	$ 474	$ 4,470	$ 10,353

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

15. 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 of the Company.

On September 30, 2008, the Company acquired certain assets and liabilities of Maximus Inc.'s Asset, Justice, and Education Solutions businesses ("MAJES"). As part of the acquisition, the Company also acquired certain long-term contracts that contain contingent liabilities which may, but are unlikely to, exceed $13,500 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.

In February 2011, a subsidiary of the Company and Maximus Inc. ("Maximus") received a letter from a customer initiating a dispute resolution process under the customer's contract. The customer alleges that the subsidiary of Constellation and Maximus failed to observe the most favoured customer pricing terms of the contract and also raised a number of issues pertaining to services and products delivered under the contract. The customer alleges total damages of approximately $30 million. The subsidiary of the Company and the seller of the MAJES assets plan to contest all of the customer's claims. The contract with the customer has a $9 million limitation of liability clause that the Company believes will apply to all of the claims in the letter. The subsidiary of the Company also believes that it is entitled to indemnification from Maximus in respect of certain of the claims made by the customer.

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 $2,000 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.

16. Changes in non-cash operating working capital

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
(Increase) decrease in accounts receivable	$ (3,657)	$ 21,155	$ (5,658)	$ 20,991
Increase in work in progress	(3,375)	(4,039)	(5,553)	(5,370)
Increase in inventory	(817)	(1,240)	(2,690)	(1,012)
Increase in other assets	(1,171)	(1,047)	(1,138)	(2,555)
Change in acquired contract assets and liabilities	(5,089)	914	(12,026)	1,069
(Decrease) increase in accounts payable and accrued liabilities	(272)	4,765	(24,971)	(18,341)
(Decrease) increase in deferred revenue	(15,191)	(14,892)	9,088	389
	$ (29,572)	$ 5,616	$ (42,948)	$ (4,829)

17. Subsequent events

Subsequent to June 30, 2011, the Company acquired the net assets of an entity for aggregate cash consideration of $700 on closing plus cash holdbacks of $225. The business acquisition caters to moving and storage, which is a software business similar to existing businesses. The acquisition will be included in our private segment.

18. Explanation of transition to IFRS

As stated in note 2, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34.

The accounting policies set out in note 3 to our condensed consolidated interim financial statements for the three months ended March 31, 2011, have been applied in preparing the condensed consolidated interim financial statements for the three and six months ended June 30, 2011, the comparative information for the three and six months ended June 30, 2010, and in preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition to IFRS) and statements of financial position as at June 30, 2010 and December 31, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts previously reported in financial statements prepared in accordance with previous Canadian GAAP.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

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

18. Explanation of transition to IFRS (continued)

Reconciliation of financial position and shareholders' equity

January 1, 2010

	Notes	Previous Canadian GAAP (reclassified, note a)	Adjustments	IFRS
Assets				
Current assets:				
Cash		$ 33,249	$ -	$ 33,249
Equity securities available for sale		22,323	-	22,323
Accounts receivable	*c*	91,244	4,748	95,992
Work in progress	*c*	21,349	1,167	22,516
Inventory	*c*	12,702	1,618	14,320
Other assets	*c,e*	26,335	(74)	26,261
		207,202	7,459	214,661
Non-current assets:				
Property and equipment	*c,e,f*	10,539	(2,313)	8,226
Deferred income taxes	*c,j*	14,600	1,165	15,765
Other assets	*c,e*	13,478	401	13,879
Intangible assets	*c,e,g,h*	226,818	(4,579)	222,239
Total assets		$ 472,637	$ 2,133	$ 474,770
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank indebtedness	*h*	43,100	(1,947)	41,153
Accounts payable and accrued liabilities	*c,d*	95,343	(8,704)	86,639
Deferred revenue	*c,e*	128,359	6,940	135,299
Provisions		8,312	-	8,312
Acquired contract liabilities		7,652	-	7,652
Acquisition holdback payments		3,587	-	3,587
Other liabilities	*c*	3,751	6	3,757
		290,104	(3,705)	286,399
Non-current liabilities				
Deferred income taxes	*c,j*	28,121	(814)	27,307
Acquired contract liabilities	*c,e*	34,120	7,362	41,482
Acquisition holdback payments		2,537	-	2,537
Other liabilities	*c,d*	9,051	(5,033)	4,018
		73,829	1,515	75,344
Shareholders equity:				
Capital stock		99,283	-	99,283
Accumulated other comprehensive loss	e	(157)	3,161	3,004
Retained earnings		9,578	1,162	10,740
		108,704	4,323	113,027
Total liabilities and shareholders' equity		$ 472,637	$ 2,133	$ 474,770

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

18. Explanation of transition to IFRS (continued)

June 30, 2010

	Notes	Previous Canadian GAAP (reclassified, note a)	Adjustments	IFRS
Assets				
Current assets:				
Cash		$ 30,362	-	30,362
Equity securities available for sale		22,582	-	22,582
Accounts receivable	*c*	88,701	5,336	94,037
Work in progress	*c*	26,922	1,619	28,541
Inventory	*c*	15,754	(58)	15,696
Other assets	*c*	29,231	377	29,608
		213,552	7,274	220,826
Non-current assets:				
Property and equipment	*c,e,f*	15,793	(3,326)	12,467
Deferred income taxes	*c,j*	17,770	1,829	19,599
Other assets	*c,e, h*	10,034	1,000	11,034
Intangible assets	*c,d,e,g,h*	257,633	(4,708)	252,925
		$ 514,782	2,069	516,851
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank indebtedness	*h*	59,454	(1,596)	57,858
Accounts payable and accrued liabilities	*c,e*	93,370	(3,581)	89,789
Deferred revenue	*c,e*	150,816	2,700	153,516
Provisions		889	-	889
Acquired contract liabilities		8,731	-	8,731
Acquisition holdback payments	*c*	4,750	1,448	6,198
Income taxes payable		7,543	-	7,543
		325,553	(1,029)	324,524
Non-current liabilities				
Deferred income taxes	*c,j*	35,596	(1,107)	34,489
Acquired contract liabilities	*c,e*	30,541	1,455	31,996
Acquisition holdback payments		2,077	-	2,077
Other liabilities	*c,d*	7,157	(2,329)	4,828
		75,371	(1,981)	73,390
Shareholders equity:				
Capital stock		99,283	-	99,283
Accumulated other comprehensive loss	e,f	846	3,225	4,071
Retained earnings		13,729	1,854	15,583
		113,858	5,079	118,937
		$ 514,782	2,069	516,851

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

18. Explanation of transition to IFRS (continued)

December 31, 2010

	Notes	Previous Canadian GAAP (reclassified, note a)	Adjustments	IFRS
Assets				
Current assets:				
Cash		$ 30,911	-	$ 30,911
Equity securities available for sale		23,723	-	23,723
Accounts receivable		92,097	-	92,097
Work in progress		24,408	-	24,408
Inventory		15,945	-	15,945
Other assets		26,463	-	26,463
		213,547	-	213,547
Non-current assets:				
Property and equipment	*e,f*	16,430	(2,961)	13,469
Deferred income taxes	*j*	26,390	780	27,170
Other assets	*e*	24,519	(971)	23,548
Intangible assets	*d,e,g,h*	273,009	(3,022)	269,987
		$ 553,895	$ (6,174)	$ 547,721
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank indebtedness	*h*	47,291	(1,250)	46,041
Accounts payable and accrued liabilities		104,905	-	104,905
Deferred revenue	*e*	157,240	785	158,025
Provisions		2,253	-	2,253
Acquired contract liabilities		10,908	-	10,908
Acquisition holdback payments		6,920	-	6,920
Other liabilities		1,424	-	1,424
		330,941	(465)	330,476
Non-current liabilities				
Deferred income taxes	*j*	30,915	(1,304)	29,611
Acquired contract liabilities	*e*	33,924	1,709	35,633
Acquisition holdback payments		2,744	-	2,744
Other liabilities	*d*	4,962	1,244	6,206
		72,545	1,649	74,194
Shareholders equity:				
Capital stock		99,283	-	99,283
Accumulated other comprehensive loss	e,f	5,292	2,283	7,575
Retained earnings		45,834	(9,641)	36,193
		150,409	(7,358)	143,051
		$ 553,895	$ (6,174)	$ 547,721

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

18. Explanation of transition to IFRS (continued)

Reconciliation of profit for the three months ended June 30, 2010

	Notes		Canadian GAAP (reclassified note b)		IFRS adjustments		IFRS
Revenue	*i*	$	152,682		863	$	153,545
Expenses							
Staff	*i*		87,671		863		88,534
Hardware			8,337		-		8,337
Third party license, maintenance and professional services			8,872		-		8,872
Occupancy			4,047		-		4,047
Travel			5,898		-		5,898
Telecommunications			2,226		-		2,226
Supplies			2,900		-		2,900
Professional fees			2,589		-		2,589
Other	*d*		2,159		-		2,159
Income before the undernoted			27,983		-		27,983
Depreciation	*f*		1,430		88		1,518
Amortization of intangible assets	*g*		17,000		(74)		16,926
Foreign exchange	*e*		930		70		1,000
Finance income			(310)		-		(310)
Finance expense	*d*		1,368		37		1,405
			20,418		121		20,539
Income before taxes			7,565	-	121		7,444
Current income tax expense			4,711		-		4,711
Deferred income tax (expense) recovery	*j*		(494)		905		411
Income tax expense			4,217		905		5,122
Net income		$	3,348		(1,026)	$	2,322
Net changed in fair value on available-for-sale financial assets during the period			410		-		410
Net unrealized foreign exchange adjustment loss on available-for-sale financial assets during the period			(89)		-		(89)
Deferred tax expense on unrealized net gains noted above			(48)		-		(48)
Foreign currency translation differences from foreign operations	*e*		(61)		442		381
Other comprehensive income for the period, net of income tax			212		442		654
Total comprehensive income for the period		$	3,560	$	(584)	$	2,976
Earnings per share							
Basic and diluted		$	0.16	$	(0.05)	$	0.11

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

18. Explanation of transition to IFRS (continued)

Reconciliation of profit for the six months ended June 30, 2010

	Notes	Canadian GAAP (reclassified note b)	IFRS adjustments	IFRS
Revenue	*i*	$ 296,575	1,816	$ 298,391
Expenses				
Staff	*i*	173,037	1,816	174,853
Hardware		17,674	-	17,674
Third party license, maintenance and professional services		16,534	-	16,534
Occupancy		7,983	-	7,983
Travel		11,157	-	11,157
Telecommunications		4,577	-	4,577
Supplies		5,584	-	5,584
Professional fees		3,839	-	3,839
Other	*d*	4,349	16	4,365
Income before the undernoted		51,841	(16)	51,825
Depreciation	*f*	2,477	287	2,764
Amortization of intangible assets	*g*	32,119	(235)	31,884
Foreign exchange	*e*	1,021	(600)	421
Finance income		(594)	-	(594)
Finance expense	*d*	2,286	71	2,357
		37,309	(477)	36,832
Income before taxes		14,532	461	14,993
Current income tax expense		8,306	-	8,306
Deferred income tax recovery	*j*	(3,435)	(231)	(3,666)
Income tax expense (recovery)		4,871	(231)	4,640
Net income		$ 9,661	692	$ 10,353
Net changed in fair value on available-for-sale financial assets during the period		2,484	-	2,484
Net unrealized foreign exchange adjustment loss on available-for-sale financial assets during the period		(440)	-	(440)
Reclassification of unrealized gain upon derecognition of available-for-sale investments		(696)	-	(696)
Deferred tax expense on unrealized net gains noted above		(652)	-	(652)
Foreign currency translation differences from foreign operations	*e*	307	64	371
Other comprehensive income for the period, net of income tax		1,003	64	1,067
Total comprehensive income for the period		$ 10,664	$ 756	$ 11,420
Earnings per share				
Basic and diluted		$ 0.46	$ 0.03	$ 0.49

18. Explanation of transition to IFRS (continued)

Adjustments to the statements of cash flows for 2010

Income taxes paid has been moved into the body of the statement of cash flows, whereas it was previously disclosed as supplemental information. In addition, interest paid was previously included as part of operating activities, whereas it is included within financing activities under IFRS. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Notes to the reconciliations as at and for the periods included above

(a) In transitioning to IFRS, the Company has reclassified certain amounts within the consolidated statement of financial position.

(b) In transitioning to IFRS, the Company has elected to present its expenses in the consolidated statement of comprehensive income according to their nature. As a result, expenses previously disclosed under Canadian GAAP within cost of revenue, research and development, sales and marketing, and general and administration are presented under IFRS based on the nature of the cost incurred.

As required by IFRS, the Company has reported finance income and finance cost on a gross basis.

(c) IFRS 1 states that on first-time adoption, an entity may elect not to apply IFRS 3 (revised), *Business Combinations* ("IFRS 3") retrospectively to business combinations that occurred before the date of transition, January 1, 2010. Under Canadian GAAP the Company had early adopted the Handbook Section 1582, *Business Combinations* ("HB 1582"), effective January 1, 2010, the requirements of which are substantially converged with IFRS; consequently no changes were deemed applicable for our acquisitions acquired after January 1, 2010. Goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment. No impairment existed at the transition date.

As a result of this election, business combinations which occurred prior to January 1, 2010 have a deemed cost equal to the carrying value in accordance with Canadian GAAP at December 31, 2009. Where the accounting for the purchase equation was incomplete at December 31, 2009, in respect of an unrestated business combination, the deemed cost is equal to the carrying value of such assets and liabilities acquired immediately after the business combination, inclusive of the adjustments made during the measurement period under Canadian GAAP. The statements of financial position under IFRS differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

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

18. Explanation of transition to IFRS (continued)

	December 31, 2010	June 30, 2010	January 1, 2010
Increase/(decrease) in:			
Current assets:			
Accounts receivable	$ -	$ 5,336	$ 4,748
Work in progress	-	$ 1,619	$ 1,167
Inventory	-	$ (58)	$ 1,618
Other assets	-	$ 377	$ (78)
Non-current assets:			
Property and equipment	-	$ (587)	$ (5)
Deferred income taxes	-	$ 1,057	$ 358
Other assets	-	$ 2,817	$ 2,404
Intangible assets	-	$ 1,059	$ 200
Current liabilities:			
Accounts payable and accrued liabilities	-	$ (3,616)	$ (8,716)
Deferred revenue	-	$ 3,624	$ 6,725
Acquisition holdback payments	-	$ 1,448	$ -
Income taxes payable	-	$ -	$ 6
Non-current liabilities:			
Deferred income taxes	-	$ 17	$ 44
Acquired contract liabilities	-	$ 2,830	$ 7,727
Other liabilities	-	$ (3,476)	$ (6,167)
Increase in retained earnings	$ -	$ 10,793	$ 10,793

On November 2, 2009, the Company acquired the Public Transit Solutions business of Continental Automotive AG. Negative goodwill arose on acquisition because the fair value of the separately identifiable assets and liabilities acquired exceeded the total consideration paid. Under Canadian GAAP, the negative goodwill was recorded as an extraordinary gain during the measurement period in fiscal 2010. Under IFRS, the negative goodwill, or bargain purchase gain, has been reported in the opening statement of financial position because the carrying amount under previous Canadian GAAP of assets acquired and liabilities assumed in an unrestated business combination immediately after the business combination becomes their deemed cost at that date. As a result, an extraordinary gain of $10,793, which was reported under Canadian GAAP in profit or loss, is eliminated against retained earnings under IFRS.

Negative goodwill totalling $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. Under Canadian GAAP this was reported as a extraordinary gain, while under IFRS it is reported as a bargain purchase gain.

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

18. Explanation of transition to IFRS (continued)

(d) The Company has applied IFRS 3 to all business combinations after January 1, 2010. Under IFRS, the estimated fair value of any contingent consideration outstanding at January 1, 2010 must be recognized. The application of Canadian GAAP as it relates to acquisitions prior to January 1, 2010 does not allow for recognition unless the contingency can be reasonably estimated at the date of acquisition and determined beyond a reasonable doubt. Under Canadian GAAP the Company had elected to early adopt HB 1582 effective January 1, 2010, the requirements of which are converged with IFRS; consequently there is no impact on acquisitions acquired subsequent to January 1, 2010. The IFRS statements of financial position differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

	December 31, 2010	June 30, 2010	January 1, 2010
Increase/(decrease) in:			
Intangible assets	$ (86)	$ (86)	$ -
Accounts payable and accrued liabilities	-	-	12
Other non-current liabilities	1,244	1,147	1,134
Increase/(decrease) in retained earnings	$ (1,330)	$ (1,233)	$ (1,146)

The IFRS statements of comprehensive income differ from the amounts reported in the Canadian GAAP statements of operations by the following amounts:

	Year ended December 31, 2010	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase/(decrease) in:			
Other expense	$ 11	$ -	$ 16
Finance expense	173	37	71
Decrease in income before income taxes	$ 184	$ 37	$ 87

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

18. Explanation of transition to IFRS (continued)

(e) Under IFRS, there are various indicators to be considered in determining the appropriate functional currency of an entity. When the indicators are mixed and the functional currency is not obvious, priority should be given to indicators that have a greater weighting, such as primary indicators including the currency that most influences sales prices, the currency of the market in which the goods are sold, and the currency that mainly influences expenses. Canadian GAAP has similar indicators as IFRS in determining functional currency. However, Canadian GAAP does not have a hierarchy of indicators under which certain indicators are given priority.

In accordance with IFRS, the Company has assessed the functional currency of foreign subsidiaries. As part of this assessment, in general the functional currency of subsidiaries has changed as sales prices and expenses are mainly influenced by their respective local currency. The IFRS statements of financial position differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

	December 31, 2010	June 30, 2010	January 1, 2010
Increase/(decrease) in:			
Current assets:			
Other assets	$ -	$ -	$ 4
Non-current assets:			
Property and equipment	124	(104)	36
Other assets (non current)	279	(221)	(56)
Intangible assets	(552)	(2,092)	(954)
Current liabilities:			
Accounts payable		35	
Deferred revenue	785	(924)	215
Non-current liabilities:			
Acquired contract liabilities (non current)	1,709	(1,375)	(365)
Cumulative translation account	(1,677)	(752)	(820)
Increase/(decrease) in retained earnings	$ (966)	$ 600	$ -

The IFRS statement of comprehensive income differs from the amounts reported in the Canadian GAAP statement of operations by the following amounts.

	Year ended December 31, 2010	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase/(decrease) in:			
Foreign exchange	966	70	(600)
Decrease in income before income taxes	$ 966	$ 70	$ (600)

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

18. Explanation of transition to IFRS (continued)

IFRS 1 permits the cumulative translation differences for all foreign operations to be deemed nil at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. The Company has applied this election, as a result, $3,161 has been reclassified from other comprehensive income to retained earnings.

(f) Under Canadian GAAP certain of the Company's business units used the declining balance method to depreciate property and equipment, while other business units used the straight line method to depreciate property and equipment. Under IFRS, uniform accounting policies must be used for reporting similar activity and transactions. The IFRS statement of financial position differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

	December 31, 2010	June 30, 2010	January 1, 2010
Increase/(decrease) in:			
Property and equipment	$ (3,085)	$ (2,635)	$ (2,344)
Foreign currency translation adjustment	(21)	(4)	-
Increase/(decrease) in retained earnings	$ (3,064)	$ (2,631)	$ (2,344)

The IFRS statements of comprehensive income differs from the amounts reported in the Canadian GAAP statements of operations by the following amounts:

	Year ended December 31, 2010	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase/(decrease) in:			
Depreciation	720	88	287
Decrease in income before income taxes	$ 720	$ 88	$ 287

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

18. Explanation of transition to IFRS (continued)

(g) Under Canadian GAAP certain of our business units used various methods in determining the useful lives of intangible assets. Under IFRS, uniform accounting policies must be used for reporting like transactions. The IFRS statements of financial position differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

	December 31, 2010	June 30, 2010	January 1, 2010
Increase/(decrease) in:			
Intangible assets	$ (2,384)	$ (3,590)	$ (3,825)
Increase/(decrease) in retained earnings	$ (2,384)	$ (3,590)	$ (3,825)

The IFRS statements of comprehensive income differs from the amounts reported in the Canadian GAAP statements of operations by the following amounts.

	Year ended December 31, 2010	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase/(decrease) in:			
Amortization of intangible assets	(1,441)	(74)	(235)
Decrease in income before income taxes	$ (1,441)	$ (74)	$ (235)

(h) Under Canadian GAAP direct costs associated with securing the Company's line of credit were capitalized to other assets and recognized in profit or loss through interest expense. Under IFRS, these transaction costs are capitalized as part of the related financial liability. The costs are amortized using the effective interest method to interest expense and included as part of finance costs. The IFRS statements of financial position differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

	December 31, 2010	June 30, 2010	January 1, 2010
Increase/(decrease) in:			
Other assets	$ (1,250)	$ (1,596)	$ (1,947)
Bank indebtedness	(1,250)	(1,596)	(1,947)
Increase/(decrease) in retained earnings	$ -	$ -	$ -

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

18. Explanation of transition to IFRS (continued)

(i) Under Canadian GAAP, the Company accounted for certain long-term contracts using the completed contract method of accounting. Completed contract method of accounting is generally not permitted under IFRS. If the outcome of a contract is not known, then revenue is recognized only to the extent of the costs incurred that are probable of recovery and is limited to the amount of costs recognized during the period. As a result of retrospective application of this policy, $10,125 of revenue and costs have been recognized through retained earnings in the opening IFRS balance sheet.

The IFRS statements of comprehensive income differs from the amounts reported in the Canadian GAAP statements of operations by the following amounts:

	Year ended December 31, 2010	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase/(decrease) in:			
Revenue	3,108	863	1,816
Staff expense	3,108	863	1,816
Decrease in income before income taxes	$ -	$ -	$ -

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

18. Explanation of transition to IFRS (continued)

(j) Under IFRS, subsidiaries where functional currency is not their local currency, and have foreign-denominated non monetary assets, IFRS requires a deferred tax asset/liability to be recorded based on foreign exchange movements. Under Canadian GAAP this was not required. Additionally, the IFRS statements differ by the income tax effect of the IFRS adjustments discussed above. As a result of these changes, the IFRS deferred tax asset and deferred tax liability differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

	December 31, 2010	June 30, 2010	January 1, 2010
Increase/(decrease) in:			
Contingent consideration (note d)	426	426	406
Property and equipment (note f)	304	223	193
Intangible assets (note g)	(21)	101	169
Foreign exchange on foreign-denominated non monetary assets (note j)	71	22	39
Deferred tax asset	780	772	807
Property and equipment (note f)	(678)	(621)	(555)
Intangible assets (note g)	(317)	(222)	7
Foreign exchange on foreign-denominated non monetary assets (note j)	(309)	(281)	(310)
Deferred tax liability	(1,304)	(1,124)	(858)
Increase/(decrease) in retained earnings	$ 2,084	$ 1,896	$ 1,665

The IFRS statements of comprehensive income differs from the amounts reported in the Canadian GAAP statements of operations by the following amounts:

	Year ended December 31, 2010	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase/(decrease) in:			
Deferred income tax recovery	(419)	905	(231)
Decrease/(increase) in net income	$ (419)	$ 905	$ (231)

19. Comparative figures

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