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

CONSTELLATION SOFTWARE INC.

For the three and nine month periods ended September 30, 2011 and 2010
(Unaudited)

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	September 30, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash	$ 18,171	$ 30,911	$ 33,249
Equity securities available-for-sale (note 5)	20,637	23,723	22,323
Accounts receivable	108,456	90,898	95,431
Work in progress	34,143	25,607	23,077
Inventories	16,177	15,945	14,320
Other assets (note 6)	24,088	26,463	26,261
	221,672	213,547	214,661
Non-current assets:			
Property and equipment	14,473	13,469	8,226
Deferred income taxes (note 9)	108,286	15,368	4,779
Other assets (note 6)	26,140	23,548	13,879
Intangible assets	274,508	269,987	222,239
	423,407	322,372	249,123
Total assets	$ 645,079	$ 535,919	$ 463,784
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness (note 7)	$ 35,797	$ 46,041	$ 41,153
Accounts payable and accrued liabilities	103,010	104,905	86,639
Deferred revenue	187,188	158,025	135,299
Provisions (note 8)	2,326	2,253	8,312
Acquired contract liabilities	6,211	10,908	7,652
Acquisition holdback payments	12,631	6,920	3,587
Income taxes payable	4,711	1,424	3,757
	351,874	330,476	286,399
Non-current liabilities:			
Deferred income taxes (note 9)	11,414	17,809	16,321
Acquired contract liabilities	29,333	35,633	41,482
Acquisition holdback payments	2,473	2,744	2,537
Other liabilities	6,795	6,206	4,018
	50,015	62,392	64,358
Total liabilities	401,889	392,868	350,757
Shareholders' equity (note 10):			
Capital stock	99,283	99,283	99,283
Accumulated other comprehensive income	6,299	8,522	3,004
Retained earnings	137,608	35,246	10,740
	243,190	143,051	113,027
Total liabilities and shareholders' equity	$ 645,079	$ 535,919	$ 463,784

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 September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenue (note 11)	$ 202,253	$ 163,588	$ 574,984	$ 461,979
Expenses				
Staff	103,085	88,501	299,691	263,354
Hardware	18,723	14,138	47,607	31,812
Third party license, maintenance and professional services	13,320	10,139	37,932	26,673
Occupancy	4,948	4,257	14,251	12,240
Travel	7,221	5,530	20,679	16,687
Telecommunications	2,554	2,241	7,435	6,818
Supplies	3,451	2,824	11,747	8,408
Professional fees	2,068	1,927	6,788	5,766
Other	2,448	2,192	7,623	6,557
Income before the undernoted	44,435	31,839	121,231	83,664
Depreciation	1,957	1,964	6,039	4,728
Amortization of intangible assets	19,135	16,782	55,733	48,666
Impairment of non-financial assets	518	-	518	-
Foreign exchange (gain) loss	(905)	1,622	3,028	2,043
Finance income (note 12)	(2,795)	(306)	(6,167)	(900)
Finance costs (note 12)	1,462	1,315	4,589	3,672
	19,372	21,377	63,740	58,209
Profit before income tax	25,063	10,462	57,491	25,455
Current income tax expense	4,999	4,728	13,476	13,034
Deferred income tax recovery	(1,854)	(3,052)	(100,731)	(6,718)
Income tax expense (recovery) (note 9)	3,145	1,676	(87,255)	6,316
Net income	21,918	8,786	144,746	19,139
Net change in fair value on available-for-sale financial assets during the period	913	870	4,478	3,354
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period	(308)	409	(90)	(31)
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	(2,770)	-	(5,882)	-
Foreign currency translation differences from foreign operations	(2,015)	1,517	(1,212)	1,888
Current tax recovery	75	-	75	-
Deferred tax recovery (expense)	430	(404)	408	(1,056)
Other comprehensive income for the period, net of income tax	(3,675)	2,392	(2,223)	3,459
Total comprehensive income for the period	$ 18,243	$ 11,178	$ 142,523	$ 22,598
Earnings per share				
Basic and diluted (note 13)	$ 1.03	$ 0.41	$ 6.83	$ 0.90

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)

Nine months ended September 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**	**$ 1,379**	**$ 7,143**	**$ 8,522**	**$ 35,246**	**$ 143,051**
Total comprehensive income for the period						
Net income					144,746	144,746
Other comprehensive income (loss)						
Net change in fair value on available-for-sale financial assets during the period			4,478	4,478	-	4,478
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			(90)	(90)	-	(90)
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments			(5,882)	(5,882)	-	(5,882)
Foreign currency translation differences from foreign operations		(1,212)		(1,212)	-	(1,212)
Current tax recovery		75		75		75
Deferred tax recovery		124	284	408	-	408
Total other comprehensive income (loss) for the period		**(1,013)**	**(1,210)**	**(2,223)**	**-**	**(2,223)**
Total comprehensive income for the period		**(1,013)**	**(1,210)**	**(2,223)**	**144,746**	**142,523**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 10)					(42,384)	(42,384)
Balance at September 30, 2011	**$ 99,283**	**$ 366**	**$ 5,933**	**$ 6,299**	**$ 137,608**	**$ 243,190**

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)

Nine months ended September 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					19,139	19,139
Other comprehensive income (loss)						
Net change in fair value on available-for-sale financial assets during the period			3,354	3,354	-	3,354
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			(31)	(31)	-	(31)
Reclassification of unrealized gain from prior periods upon derecognition of available-for-sale investments			(696)	(696)	-	(696)
Foreign currency translation differences from foreign operations		1,888	-	1,888	-	1,888
Deferred tax expense		(212)	(844)	(1,056)	-	(1,056)
Total other comprehensive income (loss) for the period		**1,676**	**1,783**	**3,459**	**-**	**3,459**
Total comprehensive income for the period		**1,676**	**1,783**	**3,459**	**19,139**	**22,598**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 10)					(5,510)	(5,510)
Balance at September 30, 2010	**$ 99,283**	**$ 1,676**	**$ 4,787**	**$ 6,463**	**$ 24,369**	**$ 130,115**

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 September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Cash flows from operating activities:				
Net income	$ 21,918	$ 8,786	$ 144,746	$ 19,139
Adjustments for:				
Depreciation	1,957	1,964	6,039	4,728
Amortization of intangible assets	19,135	16,782	55,733	48,666
Impairment of non-financial assets	518	-	518	-
Finance income	(2,795)	(306)	(6,167)	(900)
Finance costs	1,462	1,315	4,589	3,672
Income tax expense (recovery)	3,145	1,676	(87,255)	6,316
Foreign exchange (gain) loss	(905)	1,622	3,028	2,043
Change in non-cash operating working capital (note 16)	12,511	1,353	(30,437)	(2,628)
Income taxes paid	(3,295)	(8,710)	(10,023)	(13,926)
Net cash flows from operating activities	53,651	24,482	80,771	67,110
Cash flows from financing activities:				
Interest paid	(1,526)	(1,008)	(3,989)	(3,140)
Decrease in other non current liabilities	(1,800)	(716)	(1,959)	(209)
Decrease in bank indebtedness, net	(67,746)	(19,825)	(12,031)	(3,471)
Dividends paid	-	-	(42,755)	(5,510)
Net cash flows from financing activities	(71,072)	(21,549)	(60,734)	(12,330)
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired (note 4)	(1,510)	(3,628)	(33,054)	(43,533)
Post-acquisition settlement payments, net of receipts	(1,503)	(2,667)	(2,602)	(5,560)
Purchases of available-for-sale equity securities	-	(2,163)	(5,944)	(10,411)
Proceeds from sale of available-for-sale equity securities	7,011	-	13,499	-
Decrease in restricted cash	107	-	557	1,272
Interest and dividends received	164	118	318	197
Property and equipment purchased	(1,640)	(1,926)	(5,704)	(5,149)
Cash flows provided for (used in) investing activities	2,629	(10,266)	(32,930)	(63,184)
Effect of currency translation adjustment on cash and cash equivalents	2,751	1,625	153	(191)
Decrease in cash and cash equivalents	(12,041)	(5,708)	(12,740)	(8,595)
Cash, beginning of period	30,212	30,362	30,911	33,249
Cash, end of period	18,171	$ 24,654	$ 18,171	$ 24,654

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 nine months ended September 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
Property management		

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 November 2, 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 nine months ended September 30, 2011, the Company closed sixteen acquisitions for aggregate cash consideration of $37,725 plus cash holdbacks of $7,693, resulting in total consideration of $45,418. Of the sixteen acquisitions, the Company acquired 100% of the shares of eight companies and acquired the net assets of the other eight 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, school administration, and property management, 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 $4,062 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. Nine of the acquisitions have been included in the private reportable segment and seven 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	750	3,921	4,671
Accounts receivable	4,765	2,005	6,770
Other current assets	514	497	1,011
Property and equipment	313	836	1,149
Other long term assets	-	187	187
Deferred income taxes	-	361	361
Technology assets	19,371	15,086	34,457
Customer assets	12,532	7,211	19,743
Goodwill	4,127	1,594	5,721
	42,372	31,698	74,070
Liabilities assumed:			
Current liabilities	420	5,683	6,103
Deferred revenue	14,476	2,402	16,878
Deferred income taxes	766	1,210	1,976
Other long term liabilities	2,558	1,137	3,695
	18,220	10,432	28,652
Total purchase price consideration	24,152	21,266	45,418

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) 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, 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
Property and equipment		2,281
Technology assets		12,276
Customer assets		3,791
Backlog		800
Goodwill		2,636
		32,821
Liabilities assumed:		
Current liabilities		43
Deferred revenue		3,012
Deferred income taxes		2,896
		5,951
Total purchase price consideration	$	26,870

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

(c) During the nine months ended September 30, 2010, the Company made fifteen additional acquisitions for aggregate cash consideration of $39,896 plus cash holdbacks of $5,612 resulting in total consideration of $45,508. 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 $5,330 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, real estate brokers and agents, agriculture business, health club markets and public transit operators, 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 $220 is expected to be deductible for income tax purposes. Eight of the acquisitions have been allocated to the private reportable segment and seven 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	4,221	3,790	8,011
Other current assets	1,112	947	2,059
Property and equipment	1,273	374	1,647
Technology assets	13,288	17,034	30,322
Customer assets	5,786	5,748	11,534
Goodwill	4,324	217	4,541
	34,696	29,464	64,160
Liabilities assumed:			
Current liabilities	3,957	2,143	6,100
Deferred revenue	5,291	2,959	8,250
Deferred income taxes	2,564	1,448	4,012
Other long term liabilities	131	159	290
	11,943	6,709	18,652
Total purchase price consideration	$ 22,753	$ 22,755	$ 45,508

(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 nine months ended September 30, 2011 has been recorded at its estimated fair value, which has been determined to be $4,108 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 $7,500, which is representative of the Company's current assessment relative to the applicable targets. Aggregate contingent consideration of $5,925 (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 $23,170 and net income of $1,376 during the nine months ended September 30, 2011. Revenue and net income amounts from acquisitions included in the Public sector were $16,711 and $1,534, respectively. Revenue and net loss amounts from acquisitions included in the Private sector were $6,459 and $158, respectively. If the acquisitions would have occurred on January 1, 2011, management estimates that consolidated revenue would have been $587,959 and consolidated net income for the period would have been $142,827 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 assets recognized as if the acquisitions had occurred on January 1, 2011.

5. Equity securities available-for-sale

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

	September 30, 2011		December 31, 2010		January 1, 2010	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Common shares	$ 13,727	$ 20,637	$ 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

	September 30, 2011	December 31, 2010	January 1, 2010
Prepaid assets	$ 20,964	$ 21,652	$ 16,014
Investment tax credits recoverable	2,712	3,929	2,250
Notes receivable (ii)	-	-	3,833
Acquired contract assets	412	882	4,164
Total current	$ 24,088	$ 26,463	$ 26,261
Restricted cash (i)	$ 300	$ 857	$ 2,229
Investment tax credits recoverable	5,504	3,410	2,133
Long-term trade and other receivables	3,040	3,247	3,605
Share purchase warrants (ii)	-	-	200
Investment in associates	14,457	14,698	-
Acquired contract assets	2,839	1,336	5,712
Total non-current	$ 26,140	$ 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.

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

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 September 30, 2011, $36,500 (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. 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 September 30, 2011, $703 (December 31, 2010 - $1,250; January 1, 2010 - $1,947) of transaction costs are remaining.

8. Provisions

	Restructuring	Other	Total
At January 1, 2010	$ 5,874	$ 2,438	$ 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	$ -	$ 2,253	$ 2,253
At January 1, 2011	$ -	$ 2,253	$ 2,253
Provisions made during the period	-	359	359
Provisions used during the period	-	(302)	(302)
Effect of movements in foreign exchange	-	16	16
At September 30, 2011	$ -	$ 2,326	$ 2,326

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 were development and production employees in Switzerland.

Other
Other provisions include various individual provisions for unused space and other liabilities of the Company.

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 nine months ended September 30, 2011 was negative 152 percent (Nine months ended September 30, 2010 - 25 percent). The change in the effective tax rate was due to the recognition of a future tax recovery related to inter-jurisdictional transfers of certain intangible assets within the Company during the nine month period ended September 30, 2011. Deferred tax assets were recorded on the increase in fair market value arising on these transfers. 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 for the remainder of 2011.

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

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
September 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 nine months ended September 30, 2011, the Company declared and paid dividends of $2.00 per common and class A non-voting share (Nine months ended September 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 components: 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 September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
License revenue	$ 14,545	$ 12,805	$ 44,519	$ 34,737
Professional services revenue	45,724	43,095	135,129	126,791
Hardware and other revenue	32,054	20,312	83,158	52,087
Maintenance revenue	109,930	87,376	312,178	248,364
Total	$ 202,253	$ 163,588	$ 574,984	$ 461,979

12. Finance income and Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Interest income	$ (23)	$ (225)	$ (126)	$ (706)
Dividend income	-	(82)	(99)	(113)
Other investments:				
(Gain) loss on sale of available-for-sale equity securities and other assets	(2,772)	1	(5,942)	(81)
Finance income	$ (2,795)	$ (306)	$ (6,167)	$ (900)
Interest expense, and other	1,462	1,315	4,589	3,672
Finance costs	$ 1,462	$ 1,315	$ 4,589	$ 3,672

(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 September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Numerator:				
Net income	$ 21,918	$ 8,786	$ 144,746	$ 19,139
Denominator:				
Basic and diluted shares outstanding	21,192	21,192	21,192	21,192
Earnings per share				
Basic and diluted	$ 1.03	$ 0.41	$ 6.83	$ 0.90

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 September 30, 2011	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 149,842	$ 52,411	$ -	$ 202,253
Expenses				
Staff	74,344	28,741	-	103,085
Hardware	16,776	1,947	-	18,723
Third party license, maintenance and professional services	9,102	4,218	-	13,320
Occupancy	3,509	1,439	-	4,948
Travel	5,699	1,522	-	7,221
Telecommunications	1,689	865	-	2,554
Supplies	2,697	754	-	3,451
Professional fees	1,436	632	-	2,068
Other	1,153	1,295	-	2,448
Income before the undernoted	33,437	10,998	-	44,435
Depreciation	1,510	447	-	1,957
Amortization of intangible assets	13,616	5,519	-	19,135
Impairment of non-financial assets	518	-	-	518
Foreign exchange (gain) loss	(712)	(2,399)	2,206	(905)
Finance income	(14)	(9)	(2,772)	(2,795)
Finance costs	(31)	(38)	1,531	1,462
Inter-company expenses (income)	5,371	2,478	(7,849)	-
	20,258	5,998	(6,884)	19,372
Profit before income tax	13,179	5,000	6,884	25,063
Current income tax expense (recovery)	4,091	1,570	(662)	4,999
Deferred income tax (recovery) expense	(1,943)	(217)	306	(1,854)
Income tax recovery	2,148	1,353	(356)	3,145
Net income	$ 11,031	$ 3,647	$ 7,240	$ 21,918

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

14. Operating Segments (continued)

Nine months ended September 30, 2011	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 427,032	$ 147,952	$ -	$ 574,984
Expenses				
Staff	215,679	84,012	-	299,691
Hardware	42,064	5,543	-	47,607
Third party license, maintenance and professional services	26,367	11,565	-	37,932
Occupancy	10,130	4,121	-	14,251
Travel	16,438	4,241	-	20,679
Telecommunications	5,045	2,390	-	7,435
Supplies	9,737	2,010	-	11,747
Professional fees	4,868	1,920	-	6,788
Other	4,017	3,606	-	7,623
Income before the undernoted	92,687	28,544	-	121,231
Depreciation	4,713	1,326	-	6,039
Amortization of intangible assets	41,471	14,262	-	55,733
Impairment of non-financial assets	518	-	-	518
Foreign exchange loss (gain)	956	(1,195)	3,267	3,028
Finance income	(131)	(43)	(5,993)	(6,167)
Finance costs	73	40	4,476	4,589
Inter-company expenses (income)	14,866	6,918	(21,784)	-
	62,466	21,308	(20,034)	63,740
Profit before income tax	30,221	7,236	20,034	57,491
Current income tax expense (recovery)	11,251	3,642	(1,417)	13,476
Deferred income tax (recovery) expense	(62,217)	(38,799)	285	(100,731)
Income tax (recovery) expense	(50,966)	(35,157)	(1,132)	(87,255)
Net income	$ 81,187	$ 42,393	$ 21,166	$ 144,746

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

14. Operating Segments (continued)

Three months ended September 30, 2010	Public Sector	Private Sector	Other	Total
Revenue	$ 121,164	$ 42,424	$ -	$ 163,588
Expenses				
Staff	63,243	25,258	-	88,501
Hardware	12,608	1,530	-	14,138
Third party license, maintenance and professional services	6,950	3,189	-	10,139
Occupancy	2,924	1,333	-	4,257
Travel	4,353	1,177	-	5,530
Telecommunications	1,565	676	-	2,241
Supplies	2,261	563	-	2,824
Professional fees	1,418	509	-	1,927
Other	1,079	1,113	-	2,192
Income before the undernoted	24,763	7,076	-	31,839
Depreciation	1,501	463	-	1,964
Amortization of intangible assets	12,420	4,362	-	16,782
Foreign exchange loss (gain)	1,031	808	(217)	1,622
Finance income	(16)	(15)	(275)	(306)
Finance costs	9	100	1,206	1,315
Inter-company expenses (income)	2,842	1,041	(3,883)	-
	17,787	6,759	(3,169)	21,377
Profit before income tax	6,976	317	3,169	10,462
Current income tax expense (recovery)	4,515	1,001	(788)	4,728
Deferred income tax recovery	(1,655)	(1,116)	(281)	(3,052)
Income tax expense (recovery)	2,860	(115)	(1,069)	1,676
Net income (loss)	$ 4,116	$ 432	$ 4,238	$ 8,786

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

14. Operating Segments (continued)

Nine months ended September 30, 2010	Public Sector	Private Sector	Other	Total
Revenue	$ 346,529	$ 115,450	$ -	$ 461,979
Expenses				
Staff	193,253	70,101	-	263,354
Hardware	28,154	3,658	-	31,812
Third party license, maintenance and professional services	18,276	8,397	-	26,673
Occupancy	8,569	3,671	-	12,240
Travel	13,369	3,318	-	16,687
Telecommunications	4,880	1,938	-	6,818
Supplies	6,777	1,631	-	8,408
Professional fees	4,264	1,502	-	5,766
Other	3,419	3,138	-	6,557
Income before the undernoted	65,568	18,096	-	83,664
Depreciation	3,604	1,124	-	4,728
Amortization	36,380	12,286	-	48,666
Foreign exchange loss (gain)	1,503	1,013	(473)	2,043
Finance income	(152)	(54)	(694)	(900)
Finance costs	59	174	3,439	3,672
Inter-company expenses (income)	4,842	3,025	(7,867)	-
	46,236	17,568	(5,595)	58,209
Profit before income tax	19,332	528	5,595	25,455
Current income tax expense (recovery)	12,958	2,255	(2,179)	13,034
Deferred income tax recovery	(3,151)	(2,633)	(934)	(6,718)
Income tax expense (recovery)	9,807	(378)	(3,113)	6,316
Net income	$ 9,525	$ 906	$ 8,708	$ 19,139

(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 million 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. The Company is currently following the dispute resolution process and continues to provide services to 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 $1,500 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 September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
(Increase) decrease in accounts receivable	$ (6,470)	$ (13,235)	$ (12,128)	$ 7,756
(Increase) decrease in work in progress	(3,495)	888	(9,048)	(4,482)
Decrease (increase) in inventory	3,194	388	504	(624)
Decrease in other assets	1,975	2,679	837	972
Change in acquired contract assets and liabilities	(966)	690	(12,992)	(6,716)
Increase (decrease) in accounts payable and accrued liabilities	15,484	7,013	(9,487)	(2,853)
Increase in deferred revenue	2,789	2,930	11,877	3,319
	$ 12,511	$ 1,353	$ (30,437)	$ (2,628)

17. Subsequent events

Subsequent to September 30, 2011, the Company acquired the net assets of two separate entities and acquired 100% of the shares of a third entity for aggregate cash consideration of $2,581 on closing plus cash holdbacks of $603. In addition, there is contingent consideration payable in connection with one of the acquisitions based on the amount that certain financial measures exceed predetermined levels in the post-acquisition period. The business acquisitions include companies catering to public transit operators, public safety and courts, all of which are software businesses similar to existing businesses of the Company. The business acquisitions will be included in our Public Sector 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 as 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 nine months ended September 30, 2011, the comparative information for the three and nine months ended September 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 September 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.

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 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*	90,683	4,748	95,431
Work in progress	*c*	21,910	1,167	23,077
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*	4,318	461	4,779
Other assets	*c,e,h*	13,478	401	13,879
Intangible assets	*c,e,g*	226,818	(4,579)	222,239
Total assets		$ 462,355	$ 1,429	$ 463,784
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
Income taxes payable	*c*	3,751	6	3,757
		290,104	(3,705)	286,399
Non-current liabilities				
Deferred income taxes	*c,j*	17,839	(1,518)	16,321
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
		63,547	811	64,358
Shareholders equity:				
Capital stock		99,283	-	99,283
Accumulated other comprehensive (loss) income	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		$ 462,355	$ 1,429	$ 463,784

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

18. Explanation of transition to IFRS (continued)

September 30, 2010

	Notes	Previous Canadian GAAP (reclassified, note a)	Adjustments	IFRS
Assets				
Current assets:				
Cash		$ 24,654	$ -	$ 24,654
Equity securities available-for-sale		26,025	-	26,025
Accounts receivable	*c*	108,698	(922)	107,776
Work in progress	*c*	27,719	1,511	29,230
Inventory	*c*	16,050	(68)	15,982
Other assets	*c*	26,079	367	26,446
		229,225	888	230,113
Non-current assets:				
Property and equipment	*c,e,f*	16,239	(3,282)	12,957
Deferred income taxes	*c,j*	6,882	349	7,231
Other assets	*c,e, h*	9,946	(437)	9,509
Intangible assets	*c,d,e,g*	243,568	(2,283)	241,285
		$ 505,860	$ (4,765)	$ 501,095
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank indebtedness	*h*	$ 39,629	$ (1,427)	$ 38,202
Accounts payable and accrued liabilities	*c,e*	94,752	(333)	94,419
Deferred revenue	*c,e*	156,018	3,710	159,728
Provisions		2,583	-	2,583
Acquired contract liabilities		9,442	-	9,442
Acquisition holdback payments	*c*	3,208	1,830	5,038
Income taxes payable		3,875	-	3,875
		309,507	3,780	313,287
Non-current liabilities				
Deferred income taxes	*c,j*	23,063	(3,185)	19,878
Acquired contract liabilities	*c,e*	34,772	(2,720)	32,052
Acquisition holdback payments		1,577	-	1,577
Other liabilities	*c,d*	7,043	(2,857)	4,186
		66,455	(8,762)	57,693
Shareholders equity:				
Capital stock		99,283	-	99,283
Accumulated other comprehensive income	e,f	2,675	3,788	6,463
Retained earnings		27,940	(3,571)	24,369
		129,898	217	130,115
		$ 505,860	$ (4,765)	$ 501,095

(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		90,898	-	90,898
Work in progress		25,607	-	25,607
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*	14,918	450	15,368
Other assets	*e,h*	24,519	(971)	23,548
Intangible assets	*d,e,g*	273,009	(3,022)	269,987
		$ 542,423	$ (6,504)	$ 535,919
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
Income taxes payable		1,424	-	1,424
		330,941	(465)	330,476
Non-current liabilities				
Deferred income taxes	*j*	19,443	(1,634)	17,809
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
		61,073	1,319	62,392
Shareholders equity:				
Capital stock		99,283	-	99,283
Accumulated other comprehensive income	e,f	5,292	3,230	8,522
Retained earnings		45,834	(10,588)	35,246
		150,409	(7,358)	143,051
		$ 542,423	$ (6,504)	$ 535,919

(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 three months ended September 30, 2010

	Notes	Canadian GAAP (reclassified note b)	IFRS adjustments	IFRS
Revenue	*i*	$ 162,814	$ 774	$ 163,588
Expenses				
Staff	*i*	87,727	774	88,501
Hardware		14,138	-	14,138
Third party license, maintenance and professional services		10,139	-	10,139
Occupancy		4,257	-	4,257
Travel		5,530	-	5,530
Telecommunications		2,241	-	2,241
Supplies		2,824	-	2,824
Professional fees		1,927	-	1,927
Other	*d*	2,187	5	2,192
Income before the undernoted		31,844	(5)	31,839
Depreciation	*f*	1,671	293	1,964
Amortization of intangible assets	*g*	17,364	(582)	16,782
Foreign exchange (gain) loss	*e*	(980)	2,602	1,622
Finance income		(306)	-	(306)
Finance costs	*d*	1,246	69	1,315
		18,995	2,382	21,377
Profit before income tax		12,849	(2,387)	10,462
Extraordinary gain	*c*	3,518	(3,518)	-
Current income tax expense		4,728	-	4,728
Deferred income tax (expense) recovery	*j*	(2,572)	(480)	(3,052)
Income tax expense		2,156	(480)	1,676
Net income		$ 14,211	$ (5,425)	$ 8,786
Net changed in fair value on available-for-sale financial assets during the period		870	-	870
Net unrealized foreign exchange adjustment loss on available-for-sale financial assets during the period		409	-	409
Foreign currency translation differences from foreign operations	*e*	742	775	1,517
Deferred tax expense	*j*	(192)	(212)	(404)
Other comprehensive income for the period, net of income tax		1,829	563	2,392
Total comprehensive income for the period		$ 16,040	$ (4,862)	$ 11,178
Earnings per share				
Basic and diluted		$ 0.67	$ (0.26)	$ 0.41

(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 nine months ended September 30, 2010

	Notes	Canadian GAAP (reclassified note b)	IFRS adjustments	IFRS
Revenue	*i*	$ 459,389	$ 2,590	$ 461,979
Expenses				
Staff	*i*	260,764	2,590	263,354
Hardware		31,812	-	31,812
Third party license, maintenance and professional services		26,673	-	26,673
Occupancy		12,240	-	12,240
Travel		16,687	-	16,687
Telecommunications		6,818	-	6,818
Supplies		8,408	-	8,408
Professional fees		5,766	-	5,766
Other	*d*	6,535	22	6,557
Income before the undernoted		83,686	(22)	83,664
Depreciation	*f*	4,148	580	4,728
Amortization of intangible assets	*g*	49,483	(817)	48,666
Foreign exchange loss	*e*	41	2,002	2,043
Finance income		(900)	-	(900)
Finance costs	*d*	3,533	139	3,672
		56,305	1,904	58,209
Profit before income tax		27,381	(1,926)	25,455
Extraordinary gain	*c*	3,518	(3,518)	-
Current income tax expense		13,034	-	13,034
Deferred income tax recovery	*j*	(6,007)	(711)	(6,718)
Income tax expense (recovery)		7,027	(711)	6,316
Net income		$ 23,872	$ (4,733)	$ 19,139
Net changed in fair value on available-for-sale financial assets during the period		3,354	-	3,354
Net unrealized foreign exchange adjustment loss on available-for-sale financial assets during the period		(31)	-	(31)
Reclassification of unrealized gain upon derecognition of available-for-sale investments		(696)	-	(696)
Foreign currency translation differences from foreign operations	*e*	1,049	839	1,888
Deferred tax expense	*j*	(844)	(212)	(1,056)
Other comprehensive income for the period, net of income tax		2,832	627	3,459
Total comprehensive income for the period		$ 26,704	$ (4,106)	$ 22,598
Earnings per share				
Basic and diluted		$ 1.13	$ (0.22)	$ 0.90

(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 year ended December 31, 2010

	Notes	Canadian GAAP (reclassified note b)	IFRS adjustments	IFRS
Revenue	*i*	$ 630,857	$ 3,108	$ 633,965
Expenses				
Staff	*i*	353,431	3,108	356,539
Hardware		45,109	-	45,109
Third party license, maintenance and professional services		37,669	-	37,669
Occupancy		16,840	-	16,840
Travel		23,094	-	23,094
Telecommunications		9,177	-	9,177
Supplies		11,125	-	11,125
Professional fees		8,219	-	8,219
Other	*d*	9,764	11	9,775
Income before the undernoted		116,429	(11)	116,418
Depreciation	*f*	6,036	720	6,756
Amortization of intangible assets	*g*	69,367	(1,441)	67,926
Foreign exchange loss	*e*	2,387	2,140	4,527
Finance income		(1,241)	-	(1,241)
Finance costs	*d*	5,610	173	5,783
Bargain purchase gain	*c*	-	(1,745)	(1,745)
		82,159	(153)	82,006
Profit before income tax		34,270	142	34,412
Extraordinary gain	*c*	12,538	(12,538)	-
Current income tax expense		16,961	-	16,961
Deferred income tax recovery	*j*	(11,918)	(646)	(12,564)
Income tax expense (recovery)		5,043	(646)	4,397
Net income		$ 41,765	$ (11,750)	$ 30,015
Net change in fair value on available-for-sale financial assets during the period		6,071	-	6,071
Net unrealized foreign exchange adjustment gain on available-for-sale financial assets during the period		61	-	61
Reclassification of unrealized gain upon derecognition of available-for-sale investments		(733)	-	(733)
Foreign currency translation differences from foreign operations	*e*	1,310	296	1,606
Deferred tax expense	*j*	(1,260)	(227)	(1,487)
Other comprehensive income for the period, net of income tax		5,449	69	5,518
Total comprehensive income for the period		$ 47,214	$ (11,681)	$ 35,533
Earnings per share				
Basic and diluted		$ 1.97	$ (0.55)	$ 1.42

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.

Correction of immaterial errors related to 2010 interim periods

In the course of preparing its financial statements for the three months ended September 30, 2011, the Company identified certain errors in each of the interim periods in the fiscal 2010 IFRS comparative statements related to its accounting for foreign exchange in connection with foreign operations. The Company has corrected cumulative errors in the three-month period ended September 30, 2010, which had the impact of decreasing net income by $1,601, with an corresponding adjustment to accumulated other comprehensive income. The Company has also recast the balance sheet and statement of comprehensive income for the year ended December 31, 2010 included herein. For the year ended December 31, 2010 net income was reduced by $947 and accumulated other comprehensive income was increased by $947. The Company reviewed the impact of these errors on the comparative periods in fiscal 2010 and determined that the errors were not material.

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	September 30, 2010	January 1, 2010
Increase/(decrease) in:			
Current assets:			
Accounts receivable	$ -	$ (922)	$ 4,748
Work in progress	-	1,511	1,167
Inventory	-	(68)	1,618
Other assets	-	367	(78)
Non-current assets:			
Property and equipment	-	(595)	(5)
Deferred income taxes	-	699	358
Other assets	-	792	2,404
Intangible assets	-	868	200
Current liabilities:			
Accounts payable and accrued liabilities	-	(597)	(8,716)
Deferred revenue	-	2,496	6,725
Acquisition holdback payments	-	1,830	-
Income taxes payable	-	-	6
Non-current liabilities:			
Deferred income taxes	-	(671)	44
Acquired contract liabilities	-	(3,603)	7,727
Other liabilities	-	(4,078)	(6,167)
Increase in retained earnings	$ -	$ 7,275	$ 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 for the year ended December 31, 2010 (Nine months ended September 30, 2010 - $3,518), 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 (fourth quarter) 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	September 30, 2010	January 1, 2010
Increase/(decrease) in:			
Intangible assets	$ (86)	$ (86)	$ -
Accounts payable and accrued liabilities	-	-	12
Other non-current liabilities	1,244	1,221	1,134
Decrease in retained earnings	$ (1,330)	$ (1,307)	$ (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 September 30, 2010	Nine months ended September 30, 2010
Increase/(decrease) in:			
Other expense	$ 11	$ 5	$ 22
Finance costs	173	69	139
Decrease in profit before income taxes	$ 184	$ 74	$ 161

(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	September 30, 2010	January 1, 2010
Increase/(decrease) in:			
Current assets:			
Other assets	$ -	$ -	$ 4
Non-current assets:			
Property and equipment	124	248	36
Other assets	279	198	(56)
Intangible assets	(552)	(57)	(954)
Current liabilities:			
Accounts payable	-	264	-
Deferred revenue	785	1,214	215
Non-current liabilities:			
Acquired contract liabilities	1,709	883	(365)
Cumulative translation account	(503)	30	(820)
Decrease in retained earnings	$ (2,140)	$ (2,002)	$ -

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 September 30, 2010	Nine months ended September 30, 2010
Increase/(decrease) in:			
Foreign exchange loss	$ 2,140	$ 2,602	$ 2,002
Decrease in profit before income taxes	$ 2,140	$ 2,602	$ 2,002

(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	September 30, 2010	January 1, 2010
Increase/(decrease) in:			
Property and equipment	$ (3,085)	$ (2,935)	$ (2,344)
Foreign currency translation adjustment	(21)	(11)	-
Decrease in retained earnings	$ (3,064)	$ (2,924)	$ (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 September 30, 2010	Nine months ended September 30, 2010
Increase/(decrease) in:			
Depreciation	$ 720	$ 293	$ 580
Decrease in profit before income taxes	$ 720	$ 293	$ 580

(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	September 30, 2010	January 1, 2010
Increase/(decrease) in:			
Intangible assets	$ (2,384)	$ (3,008)	$ (3,825)
Decrease in retained earnings	$ (2,384)	$ (3,008)	$ (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 September 30, 2010	Nine months ended September 30, 2010
Increase/(decrease) in:			
Amortization of intangible assets	$ (1,441)	$ (582)	$ (817)
Increase in profit before income taxes	$ (1,441)	$ (582)	$ (817)

(h) Under Canadian GAAP direct costs associated with securing the Company's revolving 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	September 30, 2010	January 1, 2010
Increase/(decrease) in:			
Other assets	$ (1,250)	$ (1,427)	$ (1,947)
Bank indebtedness	(1,250)	(1,427)	(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 September 30, 2010	Nine months ended September 30, 2010
Increase/(decrease) in:			
Revenue	$ 3,108	$ 774	$ 2,590
Staff expense	3,108	774	2,590
Decrease in profit 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 with a functional currency that is not their local currency and that have foreign-denominated non-monetary assets or liabilities, requires a deferred tax asset/liability to be recorded based on foreign exchange movements during a given period. 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	September 30, 2010	January 1, 2010
Increase/(decrease) in:			
Property and equipment (note f)	309	(353)	31
Intangible assets (note g)	70	(124)	33
Foreign exchange on foreign-denominated non monetary assets (note j)	71	127	39
Deferred tax asset	450	(350)	103
Contingent consideration (note d)	(426)	(426)	(406)
Property and equipment (note f)	(416)	(1,166)	(716)
Intangible assets (note g)	(483)	(613)	(130)
Foreign exchange on foreign-denominated non monetary assets (note j)	(309)	(309)	(310)
Deferred tax liability	(1,634)	(2,514)	(1,562)
Decrease in accumulated other comprehensive income	(227)	(212)	-
Increase in retained earnings	$ 2,311	$ 2,376	$ 1,665

Other comprehensive income under IFRS differs from the amounts reported in the Canadian GAAP financial statements by the following amounts:

	Year ended December 31, 2010	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase/(decrease) in:			
Deferred income tax recovery	$ (646)	$ (480)	$ (711)
Increase in net income	$ (646)	$ (480)	$ (711)

The IFRS other comprehensive income for the year ended December 31, 2010 differs from the amount reported in the Canadian GAAP statements by $227 (Nine months ended September 30, 2010 - $212).

19. Comparative figures

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