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

CONSTELLATION SOFTWARE INC.

For the three and six month periods ended June 30, 2012 and 2011
(Unaudited)

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash	$ 21,671	$ 33,492
Equity securities available-for-sale (note 5)	24,327	21,222
Accounts receivable	107,804	100,398
Work in progress	33,156	26,244
Inventories	14,983	13,539
Other assets (note 6)	27,219	25,633
	229,160	220,528
Non-current assets:		
Property and equipment	15,461	14,591
Deferred income taxes	102,719	99,659
Other assets (note 6)	26,594	28,005
Intangible assets (note 7)	301,153	267,792
	445,927	410,047
Total assets	$ 675,087	$ 630,575
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 8)	$ 27,535	$ -
Accounts payable and accrued liabilities	95,287	114,952
Dividends payable (note 11)	21,217	-
Deferred revenue	201,586	181,450
Provisions (note 9)	3,156	3,555
Acquired contract liabilities	2,045	4,750
Acquisition holdback payments	17,832	11,378
Income taxes payable	4,280	4,751
	372,938	320,836
Non-current liabilities:		
Deferred income taxes	14,458	11,259
Acquired contract liabilities	27,044	28,051
Acquisition holdback payments	2,980	2,474
Other liabilities	9,554	11,675
	54,036	53,459
Total liabilities	426,974	374,295
Shareholders' equity (note 11):		
Capital stock	99,283	99,283
Accumulated other comprehensive income	9,662	6,961
Retained earnings	139,168	150,036
	248,113	256,280
Subsequent events (notes 11, 13,16,18)		
Total liabilities and shareholders' equity	$ 675,087	$ 630,575

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, 2012	Three months ended June 30, 2011 (Recast - Note 2)	Six months ended June 30, 2012	Six months ended June 30, 2011 (Recast - Note 2)
Revenue (note 12)	$ 208,969	$ 195,099	$ 404,247	$ 372,731
Expenses				
Staff	113,689	100,687	219,320	196,606
Hardware	10,705	16,763	22,932	28,884
Third party license, maintenance and professional services	14,715	11,949	28,961	24,612
Occupancy	5,039	4,715	9,664	9,303
Travel	7,766	7,190	16,012	13,458
Telecommunications	2,553	2,344	5,050	4,881
Supplies	3,866	4,133	7,298	8,296
Professional fees	2,222	2,584	4,067	4,720
Other	4,712	2,972	7,974	5,175
Depreciation	1,803	1,956	3,521	4,082
Amortization of intangible assets (note 7)	20,269	18,073	39,544	36,598
	187,339	173,366	364,343	336,615
Foreign exchange (gain) loss	(217)	1,868	(9)	3,933
Equity in net loss of equity investees	209	-	1,091	-
Finance income (note 13)	(394)	(3,004)	(1,463)	(3,372)
Finance costs (note 13)	774	1,966	1,792	3,127
	372	830	1,411	3,688
Profit before income tax	21,258	20,903	38,493	32,428
Current income tax expense	5,366	5,469	10,169	8,477
Deferred income tax expense (recovery)	(1,700)	(40,552)	(3,192)	(94,523)
Income tax expense (recovery) (note 10)	3,666	(35,083)	6,977	(86,046)
Net income	17,592	55,986	31,516	118,474
Net change in fair value on available-for-sale financial assets during the period	1,066	240	4,914	3,565
Net unrealized foreign exchange gain (loss) on available-for-sale financial assets during the period	(148)	9	(27)	218
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial assets	(31)	(2,778)	(1,063)	(3,112)
Foreign currency translation differences from foreign operations	(1,943)	(300)	(802)	803
Current income tax recovery (expense)	70	-	(8)	-
Deferred income tax recovery (expense)	18	458	(313)	(22)
Other comprehensive income (loss) for the period, net of income tax	(968)	(2,371)	2,701	1,452
Total comprehensive income for the period	$ 16,624	$ 53,615	$ 34,217	$ 119,926
Earnings per share				
Basic and diluted (note 14)	$ 0.83	$ 2.64	$ 1.49	$ 5.59

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

Six months ended June 30, 2012
(Unaudited)

	Capital stock	Accumulated other comprehensive income/(loss)		Total accumulated other comprehensive income/(loss)	Retained earnings	Total
		Cumulative translation account	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2012	**$ 99,283**	**$ 182**	**$ 6,779**	**$ 6,961**	**$ 150,036**	**$ 256,280**
Total comprehensive income for the period						
Net income					31,516	31,516
Other comprehensive income (loss)						
Net change in fair value on available-for-sale financial assets during the period			4,914	4,914	-	4,914
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			(27)	(27)	-	(27)
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments			(1,063)	(1,063)	-	(1,063)
Foreign currency translation differences from foreign operations		(802)		(802)	-	(802)
Current tax expense		(8)		(8)		(8)
Deferred tax expense		125	(438)	(313)	-	(313)
Total other comprehensive income for the period		**(685)**	**3,386**	**2,701**	**-**	**2,701**
Total comprehensive income for the period		**(685)**	**3,386**	**2,701**	**31,516**	**34,217**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 11)					(42,384)	(42,384)
Balance at June 30, 2012	**$ 99,283**	**$ (503)**	**$ 10,165**	**$ 9,662**	**$ 139,168**	**$ 248,113**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

Six months ended June 30, 2011
(Unaudited)

	Capital stock	Accumulated other comprehensive income/(loss)		Total accumulated other comprehensive income/(loss)	Retained earnings (Recast - Note 2)	Total
		Cumulative translation account	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2011	**$ 99,283**	**$ 432**	**$ 7,143**	**$ 7,575**	**$ 36,193**	**$ 143,051**
Total comprehensive income for the period						
Net income					118,474	118,474
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)
Foreign currency translation differences from foreign operations		803	-	803	-	803
Deferred tax expense			(22)	(22)	-	(22)
Total other comprehensive income (loss) for the period		**803**	**649**	**1,452**	**-**	**1,452**
Total comprehensive income for the period		**803**	**649**	**1,452**	**118,474**	**119,926**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 11)					(42,384)	(42,384)
Balance at June 30, 2011	**$ 99,283**	**$ 1,235**	**$ 7,792**	**$ 9,027**	**$ 112,283**	**$ 220,593**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	Three months ended June 30, 2012	Three months ended June 30, 2011 (Recast - Note 2)	Six months ended June 30, 2012	Six months ended June 30, 2011 (Recast - Note 2)
Cash flows from operating activities:				
Net income	$ 17,592	$ 55,986	$ 31,516	$ 118,474
Adjustments for:				
Depreciation	1,803	1,956	3,521	4,082
Amortization of intangible assets	20,269	18,073	39,544	36,598
Equity in net loss of equity investees	209	-	1,091	-
Finance income	(394)	(3,004)	(1,463)	(3,372)
Finance costs	774	1,966	1,792	3,127
Income tax expense (recovery)	3,666	(35,083)	6,977	(86,046)
Foreign exchange loss	(217)	1,868	(9)	3,933
Change in non-cash operating working capital (note 17)	(9,495)	(29,572)	(33,839)	(42,948)
Income taxes paid	(8,013)	(4,349)	(10,715)	(6,728)
Net cash flows from operating activities	26,194	7,841	38,415	27,120
Cash flows from financing activities:				
Interest paid	(501)	(1,576)	(837)	(2,463)
Increase in other non current liabilities	322	(246)	122	(159)
Increase in bank indebtedness, net	16,342	17,071	29,342	55,715
Credit facility transaction costs	(46)	-	(1,886)	-
Dividends paid	(21,192)	-	(21,192)	(42,384)
Net cash flows from (used in) financing activities	(5,075)	15,249	5,549	10,709
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired (note 4)	(42,830)	(21,153)	(50,637)	(31,544)
Post-acquisition settlement payments, net of receipts	(4,132)	(47)	(4,633)	(1,099)
Purchases of available-for-sale financial assets	(80)	(4,695)	(80)	(5,944)
Proceeds from sale of available-for-sale financial assets	55	5,845	1,863	6,488
Proceeds from sale of intangible assets	101		101	-
Increase in restricted cash	-	-	-	450
Interest received	41	117	79	154
Property and equipment purchased	(1,251)	(1,465)	(2,541)	(4,064)
Cash flows provided from (used in) investing activities	(48,096)	(21,398)	(55,848)	(35,559)
Effect of foreign currency translation adjustment on cash and cash equivalents	(165)	(1,623)	63	(2,969)
Increase (decrease) in cash and cash equivalents	(27,142)	69	(11,821)	(699)
Cash, beginning of period	48,813	30,143	33,492	30,911
Cash, end of period	$ 21,671	$ 30,212	$ 21,671	$ 30,212

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the consolidated financial statements

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 month periods ended June 30, 2012 comprise Constellation and its subsidiaries (together referred to as the "Company") and the Company's interest in associates. The Company, through its operating groups, is engaged principally 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 Sector:

Public transit operators	Asset management	Public safety
Para transit operators	Criminal justice	Healthcare
School transportation	Law enforcement	Public housing authorities
Non-emergency medical	Taxi dispatch	Housing finance agencies
Ride share	Electric utilities	Municipal treasury & debt systems
Local government	Water utilities	Real estate brokers and agents
Agri-business	Municipal systems	Court
Rental	School administration	

Private Sector:

Private clubs & daily fee golf courses	Homebuilders	Cabinet manufacturers
Construction	Lease management	Made-to-order manufacturers
Food services	Winery management	Window and other dealers
Health clubs	Buy here pay here dealers	Multi-carrier shipping
Moving and storage	RV and marine dealers	Supply chain optimization
Metal service centers	Pulp & paper manufacturers	Multi-channel distribution
Attractions	Real estate brokers and agents	Wholesale distribution
Leisure centers	Outdoor equipment dealerships	Third party logistics
Education	Window manufacturers	Radiology & Laboratory Information Systems

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

2. Basis of presentation

(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 disclosed in Note 3 of the Company's 2011 annual consolidated financial statements.

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of August 1, 2012, the date the Board of Directors approved the condensed consolidated interim 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, 2012 could result in a restatement of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statements.

Recast of prior period financial information

Net income for the three and six months ended June 30, 2011 has been adjusted to correct for an error. This error resulted in a reduction of the deferred income tax recovery recognized in profit and loss for the three and six month periods totalling $2,613 and $4,354 respectively. Accordingly, the condensed consolidated interim statements of comprehensive income, changes in equity, and cash flows for the three and six months ended June 30, 2011 have been adjusted for this correction.

	Three months ended June 30, 2011		Six months ended June 30, 2011	
	Previously Reported	**Recast**	**Previously Reported**	**Recast**
Deferred income tax recovery	(43,165)	(40,552)	(98,877)	(94,523)
Net income	58,599	55,986	122,828	118,474
Earnings per share				
Basic and diluted	$ 2.77	$ 2.64	$ 5.80	$ 5.59

(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, certain assets and liabilities initially recognized in connection with business combinations, and derivative financial instruments, which are measured at fair value.

(c) Functional and presentation of currency

The condensed consolidated interim financial statements are presented in U.S. 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 in profit or loss, 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 2011 annual consolidated financial statements, and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

The accounting policies have been applied consistently by the Company‘s subsidiaries.

<u>New standards and interpretations not yet adopted</u>

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ending December 31, 2012, and have not been applied in preparing these consolidated financial statements. The relevant standards are listed below.

IFRS 9 Financial Instruments

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied.

The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company’s operations and the types of financial assets that it holds.

IFRS 10 Consolidated Financial Statements

The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.

IFRS 11 Joint Arrangements

The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 11 to have a material impact on the financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature and extent of the Company's interests in other entities.

IFRS 13 Fair Value Measurement

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IAS 1 Presentation of Financial Statements

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

Amendments to IAS 19 Employee Benefits

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IAS 32 and IFRS 7, Offsetting Financial Assets and Liabilities

The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

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

4. Business acquisitions

During the six months ended June 30, 2012, the Company closed fifteen acquisitions for aggregate cash consideration of $55,805 plus cash holdbacks of $11,817, resulting in total consideration of $67,622. There were no acquisitions during the period that were deemed to be individually material. Of the fifteen acquisitions, the Company acquired 100% of the shares of eleven companies and acquired the net assets of the other four companies. The holdbacks are payable over periods ranging from six months to three years and are adjusted, as necessary, for claims under the respective representations and warranties of the agreements.

The acquisitions include software companies catering to the following markets; health clubs, school administration, asset management, radiology and laboratory information systems, utilities, lease management, local government, rental, real estate brokers and agents, public transit operators, and construction, 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 primarily attributable to the application of Constellation's best practices to improve the operations of the companies acquired, synergies with existing businesses of Constellation, and other intangibles that do not qualify for separate recognition. Goodwill in the amount of $1,159 is expected to be deductible for income tax purposes.

Due to the complexity and timing of certain acquisitions made in the latter part of the quarter, 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. The amounts determined on a provisional basis generally relate to net tangible asset assessments and measurement of the assumed liabilities. Eight of the acquisitions have been included in the Private reportable segment and seven have been included in the Public reportable segment.

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 3,027	$ 2,141	$ 5,168
Accounts receivable	8,563	2,653	11,216
Other current assets	4,355	1,402	5,757
Property and equipment	1,235	691	1,926
Technology assets	32,486	11,675	44,161
Customer assets	15,047	6,170	21,217
Backlog	992	-	992
	65,873	24,732	90,605
Liabilities assumed:			
Current liabilities	6,346	2,993	9,339
Deferred revenue	10,157	3,767	13,924
Deferred income taxes	1,211	1,416	2,627
Other long term liabilities	1,334	698	2,032
	19,048	8,874	27,922
Goodwill	1,963	2,976	4,939
Total cash consideration	**$ 48,788**	**$ 18,834**	**$ 67,622**

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

The acquisitions include contingent consideration payable on the achievement of certain revenue targets. The obligation for contingent consideration for acquisitions during the six months ended June 30, 2012 has been recorded at its estimated fair value, which has been determined to be $2,098 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 $3,712. Aggregate contingent consideration of $9,952 (December 31, 2011 - $7,166) has been reported in the statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods.

The 2012 business acquisitions contributed revenue of $13,043 and net loss of $1,355 during the six months ended June 30, 2012. Revenue and net loss amounts from acquisitions included in the Public sector were $8,926 and $783, respectively. Revenue and net loss amounts from acquisitions included in the Private sector were $4,117 and $572, respectively. If the acquisitions would have occurred on January 1, 2012, management estimates that consolidated revenue would have been $424,722 and consolidated net income for the period would have been $30,014 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, 2012. 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, 2012.

5. Equity securities available-for-sale

At June 30, 2012, the Company held investments in three (December 31, 2011 – three) 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. A certain amount of common shares of one of the investments held by the Company were sold during the six months ended June 30, 2012 and, accordingly, a gain on sale of $1,063 was recognized in profit or loss.

	June 30, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Common shares	$ 12,539	$ 24,327	$ 13,330	$ 21,222

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

6. Other Assets

		June 30, 2012		December 31, 2011
Prepaid assets	$	22,735	$	22,432
Investment tax credits recoverable		3,512		3,201
Acquired contract assets		972		-
Total current	$	27,219	$	25,633
Investment tax credits recoverable	$	8,629	$	8,271
Non-current trade and other receivables		2,293		2,508
Equity accounted investees		13,443		14,534
Acquired contract assets		2,229		2,692
Total non-current	$	26,594	$	28,005

7. Intangible assets

		Technology Assets		Customer Assets		Backlog		Non-compete agreements		Goodwill		Total
Cost												
Balance at January 1, 2012	$	370,212	$	133,149	$	12,977	$	2,685	$	59,491	$	578,514
Acquisitions through business combinations		45,272		21,045		992		-		5,545		72,854
Effect of movements in foreign exchange		(75)		(30)		5		(3)		210		107
Balance at June 30, 2012	$	415,409	$	154,164	$	13,974	$	2,682	$	65,246	$	651,475
Amortization and impairment losses												
Balance at January 1, 2012	$	225,112	$	70,208	$	12,973	$	2,429	$	-	$	310,722
Amortization for the year		26,765		12,596		83		100		-		39,544
Effect of movements in foreign exchange		39		6		14		(3)		-		56
Balance at June 30, 2012	$	251,916	$	82,810	$	13,070	$	2,526	$	-	$	350,322
Carrying amounts												
At January 1, 2012	$	145,100	$	62,941	$	4	$	256	$	59,491	$	267,792
At June 30, 2012	$	163,493	$	71,354	$	904	$	156	$	65,246	$	301,153

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

8. Bank indebtedness

On March 13, 2012, Constellation entered into a new credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300,000 (December 31, 2011 - $160,000). The revolving line-of-credit bears a variable interest rate and is due in full on February 29, 2016 with no fixed repayments required over the term to maturity. Interest rates are calculated at prime or LIBOR plus interest rate spreads based on a leverage table that considers Constellation's indebtedness at that time. The line-of-credit is secured by a general security agreement covering the majority of Constellation's and its subsidiaries' present and future real and personal property, assets and undertaking, including all shares, partnership interests and other equity interests held in the capital of any other company; and is subject to various debt covenants. As at June 30, 2012, $29,342 (December 31, 2011 - nil) had been drawn from this credit facility, and letters of credit totalling $280 (December 31, 2011 - $385) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the new line-of-credit have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. Amortized costs recognized in the three and six month periods ended June 30, 2012 relating to this line-of-credit amounted to $41 and $79, respectively. As at June 30, 2012, the carrying amount of such costs totalling $1,807 has been classified as part of bank indebtedness in the statement of financial position. Capitalized costs relating to the operating line-of-credit in place at December 31, 2011 amounted to $644, and have been expensed to finance costs during the period.

9. Provisions

At December 31, 2011	$	3,555
Reversal		(133)
Provisions recorded during the period		1,114
Provisions used during the period		(1,366)
Effect of movements in foreign exchange		(14)
At June 30, 2012	$	3,156

The provisions balance is comprised of various individual provisions for onerous contracts and other estimated liabilities of the Company.

10. Income taxes

Income tax expense is recognized 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, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. The Company's consolidated effective tax rate in respect of continuing operations for the six months ended June 30, 2012 was 18 percent (six months ended June 30, 2011 – negative 265 percent). The significant change in the effective tax rate period over period was due to the recognition of a future tax recovery related to inter-jurisdictional transfers of certain intangible assets within the Company during the six months ended June 30, 2011. Deferred tax assets were recorded on the increase in fair market value arising on the 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 to reduce income taxes otherwise payable in the future. The Company does not expect a similar deferred income tax recovery in the year ending December 31, 2012.

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

11. Capital and other components of equity

Capital Stock

At December 31, 2011 the authorized share capital of Constellation consisted 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 entitled the holders of such shares to distributions, if and when declared by the Board of Directors provided an equivalent dividend was paid rateably on the common shares at the same time. The holders of the common shares would participate rateably with the holders of the Class A non-voting shares in any distribution of assets, or liquidation, dissolution or winding up of the Company's assets. The holders of the Class A non-voting shares were entitled to convert such shares, at any time into common shares, on a one-for-one basis.

On April 3, 2012, 100% of the Class A non-voting shares were converted to common shares, on a one-for-one basis.

	Common Shares		Class A non-voting		Total	
	Number	Amount	Number	Amount	Number	Amount
December 31, 2011	17,503,530	$ 86,794	3,688,000	$ 12,489	21,191,530	$ 99,283
June 30, 2012	21,191,530	$ 99,283	-	$ -	21,191,530	$ 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, as well as foreign exchange gains and losses arising from monetary items that form part of the net investment in the foreign operation.

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 sold/derecognized or impaired.

Dividends

During the six months ended June 30, 2012 the Board of Directors approved and the Company declared dividends of $2.00 per common and class A non-voting share (2011 - $2.00 per share). A dividend of $1.00 per share representing $21,192 was paid and settled on April 2, 2012 and a second dividend of $1.00 per share representing $21,192 was accrued as at June 30, 2012 and subsequently paid and settled on July 4, 2012.

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

12. Revenue

The Company sub-classifies revenue within the following components: license revenue, professional services revenue, hardware and other revenue, and maintenance and other recurring revenue. Software license revenue is comprised of license fees charged for the use of software products licensed under 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 includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally. Maintenance and other recurring 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,	
	2012	2011	2012	2011
License revenue	$ 15,994	$ 15,568	$ 30,934	$ 29,974
Professional services revenue	45,935	47,616	88,062	89,405
Hardware and other revenue	22,351	28,717	47,706	51,104
Maintenance and other recurring revenue	124,689	103,198	237,545	202,248
Total	**$ 208,969**	**$ 195,099**	**$ 404,247**	**$ 372,731**

Revenues from the application of contract accounting are allocated to license revenue, professional service revenue and hardware revenue based on their relative fair values and the amount recognized in the period is determined using the percentage of completion method.

Advances from customers for which the related work has not started and billings in excess of costs incurred and recognized profits are recognized as deferred revenue.

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

13. Finance income and finance costs

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Gain on sale of available-for-sale financial assets transferred from other comprehensive income	$ (31)	$ (2,836)	$ (1,063)	$ (3,170)
Gain on sale of intangible assets	(321)	-	(321)	-
Other interest income	(42)	(168)	(79)	(202)
Finance income	$ (394)	$ (3,004)	$ (1,463)	$ (3,372)
Interest expense on bank indebtedness	$ 489	$ 1,646	$ 706	$ 2,454
Amortization of debt related transaction costs	41	185	723	362
Other interest expense	244	135	363	311
Finance costs	$ 774	$ 1,966	$ 1,792	$ 3,127

The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. During the period, the Company purchased a contract of this nature with a value of $19 million and has recorded its fair value at June 30, 2012 based on foreign exchange rates relative to the stated rate in the contract. The fair value adjustment of $28 has been recorded in finance income in profit or loss. The contract was settled on July 3, 2012.

14. Earnings per share

Basic and diluted earnings per share

	Three months ended June 30, 2012	Three months ended June 30, 2011 (Recast - Note 2)	Six months ended June 30, 2012	Six months ended June 30, 2011 (Recast - Note 2)
Numerator:				
Net income	$ 17,592	$ 55,986	$ 31,516	$ 118,474
Denominator:				
Basic and diluted shares outstanding	21,192	21,192	21,192	21,192
Earnings per share				
Basic and diluted	$ 0.83	$ 2.64	$ 1.49	$ 5.59

15. 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 described in the significant accounting policies section of these consolidated 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 procedures for securing contracts between our governmental clients and commercial, or private sector clients, are significant, thus warranting distinct segmented disclosures.

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

Intercompany-expenses (income) represent Constellation head office management fees and intercompany interest charged to the reportable segments.

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

Three months ended June 30, 2012	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 147,722	$ 61,247	$ -	$ 208,969
Expenses				
Staff	79,118	34,571	-	113,689
Hardware	8,478	2,227	-	10,705
Third party licenses, maintenance and professional services	9,728	4,987	-	14,715
Occupancy	3,539	1,500	-	5,039
Travel	6,029	1,737	-	7,766
Telecommunications	1,590	963	-	2,553
Supplies	2,837	1,029	-	3,866
Professional fees	1,608	614	-	2,222
Other	3,102	1,610	-	4,712
Depreciation	1,254	452	97	1,803
Amortization of intangible assets	14,050	6,219	-	20,269
	131,333	55,909	97	187,339
Foreign exchange (gain) loss	(128)	(55)	(34)	(217)
Equity in net loss of equity investees	-	-	209	209
Finance income	(338)	(22)	(34)	(394)
Finance costs	39	164	571	774
	(427)	87	712	372
Profit (loss) before income tax	16,816	5,251	(809)	21,258
Current income tax expense (recovery)	4,556	1,470	(660)	5,366
Deferred income tax expense (recovery)	(1,061)	(906)	267	(1,700)
Income tax expense (recovery)	3,495	564	(393)	3,666
Net income	13,321	4,687	(416)	17,592

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

Six months ended June 30, 2012	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 285,954	$ 118,293	$ -	$ 404,247
Expenses				
Staff	152,692	66,628	-	219,320
Hardware	19,015	3,917	-	22,932
Third party licenses, maintenance and professional services	19,047	9,914	-	28,961
Occupancy	6,732	2,932	-	9,664
Travel	12,436	3,576	-	16,012
Telecommunications	3,217	1,833	-	5,050
Supplies	5,492	1,806	-	7,298
Professional fees	2,770	1,297	-	4,067
Other	4,892	3,082	-	7,974
Depreciation	2,465	865	191	3,521
Amortization of intangible assets	27,640	11,904	-	39,544
	256,398	107,754	191	364,343
Foreign exchange (gain) loss	694	451	(1,154)	(9)
Equity in net loss of equity investees	-	-	1,091	1,091
Finance income	(353)	(41)	(1,069)	(1,463)
Finance costs	82	240	1,470	1,792
	423	650	338	1,411
Profit (loss) before income tax	29,133	9,889	(529)	38,493
Current income tax expense (recovery)	8,199	3,263	(1,293)	10,169
Deferred income tax expense (recovery)	(1,732)	(2,025)	565	(3,192)
Income tax expense (recovery)	6,467	1,238	(728)	6,977
Net income	22,666	8,651	199	31,516

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

Three months ended June 30, 2011	Public Sector	Private Sector	Other	Consolidated Total
				(Recast - Note 2)
Revenue	$ 146,240	$ 48,859	$ -	$ 195,099
Expenses				
Staff	72,364	28,323	-	100,687
Hardware	14,806	1,957	-	16,763
Third party licenses, 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
Depreciation	1,510	446	-	1,956
Amortization of intangible assets	14,045	4,028	-	18,073
	129,184	44,182	-	173,366
Foreign exchange (gain) loss	1,032	33	803	1,868
Finance income	(108)	(15)	(2,881)	(3,004)
Finance costs	44	39	1,883	1,966
	968	57	(195)	830
Profit (loss) before income tax	16,088	4,620	195	20,903
Current income tax expense (recovery)	4,330	1,318	(179)	5,469
Deferred income tax expense (recovery)	(20,768)	(20,243)	459	(40,552)
Income tax expense (recovery)	(16,438)	(18,925)	280	(35,083)
Net income	32,526	23,545	(85)	55,986

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

Six months ended June 30, 2011	Public Sector	Private Sector	Other	Consolidated Total
				(Recast - Note 2)
Revenue	$ 277,190	$ 95,541	$ -	$ 372,731
Expenses				
Staff	141,335	55,271	-	196,606
Hardware	25,288	3,596	-	28,884
Third party licenses, 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
Depreciation	3,203	879	-	4,082
Amortization of intangible assets	27,855	8,743	-	36,598
	248,998	87,617	-	336,615
Foreign exchange (gain) loss	1,668	1,204	1,061	3,933
Finance income	(117)	(34)	(3,221)	(3,372)
Finance costs	104	78	2,945	3,127
	1,655	1,248	785	3,688
Profit (loss) before income tax	26,537	6,676	(785)	32,428
Current income tax expense (recovery)	7,160	2,072	(755)	8,477
Deferred income tax expense (recovery)	(57,319)	(37,183)	(21)	(94,523)
Income tax recovery	(50,159)	(35,111)	(776)	(86,046)
Net income	76,696	41,787	(9)	118,474

16. 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, labour, 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, Constellation 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 $15 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 Constellation 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 subsidiary of the Company, MAXIMUS and the customer have resolved the issues relating to the most favoured customer pricing terms of the contract without liability to the Company but continue to follow the dispute resolution process for the customer's other allegations. The subsidiary of the Company and the seller of the MAJES assets continue to contest all of the customer's claims. The potential liability is undefined with respect to the remainder of the claims made by the customer, however, the contract with the customer has a $9 million limitation of liability clause that the Company believes will apply to all of the claims should there be an unfavourable outcome to the Company.

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 million 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 estimated fair value amounts accrued in connection with the contracts assumed on acquisition.

In July 2012, a subsidiary of Constellation received a notice of reassessment for the 2004 taxation year from the Canadian tax authorities ("CRA") which increased taxable income of the subsidiary by approximately $20 million relating to a gain on the sale of property between entities under common control. As a result of the notice of reassessment, the CRA has determined that the subsidiary owes approximately $6.2 million in federal tax and interest. In order to appeal the reassessment, the subsidiary is required to pay 50% of this amount within 90 days. The Company has yet to receive a provincial reassessment, but expects to receive such notice within the next 120 days. At this stage, the Company believes the proposed reassessment is without merit and intends to appeal the reassessment. The Company believes that it has adequately provided for the probable outcome in respect of this matter and as such no additional provision has been recorded in these financial statements during the quarter. There is no assurance, however, that the Company's appeal will be successful and, if unsuccessful, the Company's future financial results and tax provisions could be adversely affected.

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

17. Changes in non-cash operating working capital

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Decrease (increase) in accounts receivable	$ 2,215	$ (3,657)	$ 2,988	$ (5,658)
Increase in work in progress	(548)	(3,375)	(3,283)	(5,553)
Decrease (increase) in other current assets	949	(226)	(1,132)	557
Increase in inventory	(133)	(817)	(868)	(2,690)
(Increase) decrease in long term assets	(604)	(945)	463	(1,695)
Change in acquired contract assets and liabilities	(2,185)	(5,089)	(4,743)	(12,026)
(Decrease) increase in other non-current liabilities	(3,948)	34	(4,777)	(83)
Increase (decrease) in accounts payable and accrued liabilities excluding holdbacks from acquisitions	9,582	(306)	(28,364)	(24,888)
(Decrease) increase in deferred revenue	(14,839)	(15,191)	6,651	9,088
Increase (decrease) in provisions	16	-	(774)	-
	$ (9,495)	$ (29,572)	$ (33,839)	$ (42,948)

18. Subsequent events

On August 1, 2012 the Company declared a $1.00 per share dividend that is payable on October 3, 2012 to all common shareholders of record at close of business on September 17, 2012.