Constellation Software Inc.

INTERIM FINANCIAL REPORT

Third Quarter Fiscal Year 2012

For the three and nine month periods ended
September 30, 2012
(UNAUDITED)

CONSTELLATION SOFTWARE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2012 and with our Annual Consolidated Financial Statements for the year ended December 31, 2011, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. All references to "$" are to U.S. dollars and all references to "C$" are to Canadian dollars.

Additional information about Constellation Software Inc. (the "Company" or "Constellation"), including our most recently filed Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this MD&A, October 31, 2012. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted net income margin.

The term ''Adjusted EBITDA'' refers to net income before adjusting for finance income, finance costs, income taxes, equity in net loss of equity investees, impairment of non-financial assets, depreciation, amortization, and foreign exchange loss (gain). The Company believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and the other items listed above. ''Adjusted EBITDA margin'' refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period.

‘‘Adjusted net income’’ means net income adjusted for non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, and certain other expenses (income). The Company believes that Adjusted net income is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration amortization of intangible assets, deferred income taxes, and certain other non-cash expenses (income) incurred by the Company from time to time. ‘‘Adjusted net income margin’’ refers to the percentage that Adjusted net income for any period represents as a portion of total revenue for that period.

Adjusted EBITDA and Adjusted net income are not recognized measures under IFRS and, accordingly, shareholders are cautioned that Adjusted EBITDA and Adjusted net income should not be construed as alternatives to net income determined in accordance with IFRS. The Company’s method of calculating Adjusted EBITDA and Adjusted net income may differ from other issuers and, accordingly, Adjusted EBITDA and Adjusted net income may not be comparable to similar measures presented by other issuers. See ‘‘Results of Operations —Adjusted EBITDA’’ and ‘‘— Adjusted net income’’ for a reconciliation of Adjusted EBITDA and Adjusted net income to net income.

Overview

We acquire, manage and build vertical market software (“VMS”) businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular markets. Our focus on acquiring businesses with growth potential, managing them well and then building them, has allowed us to generate significant cash flow and revenue growth during the past several years.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable, where applicable. Maintenance and other recurring revenue primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include ongoing customer support and rights to certain product updates “when and if available” and products sold on a subscription basis. Professional service revenue consists of fees charged for implementation services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions and arrangements, as well as sales of customized hardware assembled internally. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, occupancy costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements and other general operating expenses.

Results of Operations
(In thousands of dollars, except percentages and per share amounts)
Unaudited

	Three months ended September 30, 2012	Three months ended September 30, 2011 (Recast-Note 1)	Period-Over-Period Change $	Period-Over-Period Change %	Nine months ended September 30, 2012	Nine months ended September 30, 2011 (Recast-Note 1)	Period-Over-Period Change $	Period-Over-Period Change %
Revenue	**225,980**	**202,253**	**23,727**	**12%**	**630,227**	**574,984**	**55,243**	**10%**
Expenses	177,343	157,818	19,525	12%	498,621	453,753	44,868	10%
Adjusted EBITDA	**48,637**	**44,435**	**4,202**	**9%**	**131,606**	**121,231**	**10,375**	**9%**
Depreciation	2,112	1,957	155	8%	5,633	6,039	(406)	-7%
Amortization of intangible assets	22,099	19,135	2,964	15%	61,643	55,733	5,910	11%
Impairment of non-financial assets	0	518	(518)	-100%	0	518	(518)	-100%
Foreign exchange (gain) loss	(321)	(905)	584	-65%	(330)	3,028	(3,358)	-111%
Equity in net (income) loss of equity investees	(216)	0	(216)	NM	875	0	875	NM
Finance income	(2,066)	(2,795)	729	-26%	(3,529)	(6,167)	2,638	-43%
Finance costs	1,131	1,462	(331)	-23%	2,923	4,589	(1,666)	-36%
Profit before income taxes	25,898	25,063	835	3%	64,391	57,491	6,900	12%
Income taxes expense (recovery)								
Current income tax expense	5,918	4,999	919	18%	16,087	13,476	2,611	19%
Deferred income tax (recovery) expense	(1,085)	759	(1,844)	-243%	(4,277)	(93,764)	89,487	-95%
Income tax expense (recovery)	4,833	5,758	(925)	-16%	11,810	(80,288)	92,098	-115%
Net income	**21,065**	**19,305**	**1,760**	**9%**	**52,581**	**137,779**	**(85,198)**	**-62%**
Adjusted net income	**42,079**	**39,717**	**2,362**	**6%**	**109,947**	**100,266**	**9,681**	**10%**
Weighted average number of shares outstanding (000's)								
Basic and diluted	21,192	21,192			21,192	21,192		
Net income per share								
Basic and diluted	$ 0.99	$ 0.91	$ 0.08	9%	$ 2.48	$ 6.50	$ (4.02)	-62%
Adjusted EBITDA per share								
Basic and diluted	$ 2.30	$ 2.10	$ 0.20	9%	$ 6.21	$ 5.72	$ 0.49	9%
Adjusted net income per share								
Basic and diluted	$ 1.99	$ 1.87	$ 0.11	6%	$ 5.19	$ 4.73	$ 0.46	10%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ -	$ 1.00		$ 3.00	$ 2.00	$ 1.00	50%

NM - Not meaningful
Note 1: Net income for the three and nine months ended September 30, 2011 has been adjusted to correct for an error. This out-of-period error, which was corrected in the quarter ended December 31, 2011, resulted in a reduction of the deferred income tax recovery recognized in profit and loss for the three and nine month periods totalling $2,613 and $6,967 respectively, as compared to amounts previously reported for these periods.

Comparison of the three and nine months ended September 30, 2012 and 2011

Revenue:

Total revenue for the quarter ended September 30, 2012 was $226 million, an increase of 12%, or $24 million, compared to $202 million for the comparable period in 2011. For the first nine months of 2012 total revenues were $630 million, an increase of 10%, or $55 million, compared to $575 million for the comparable period in 2011. The increase for both the three and nine month periods compared to the same periods in the prior year is mainly attributable to growth from acquisitions as organic growth was negative 2% and negative 1%, respectively. For acquired businesses, organic growth is calculated as the difference between actual revenues achieved by each business in the financial period following acquisition compared to the revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation.

Constellation acquired the Public Transit Solutions business ("PTS") from Continental Automotive AG ("Continental") on November 2, 2009. Given the substantial amount of non-recurring revenue historically earned by PTS, gross revenue from PTS has fluctuated significantly in the past and will continue to do so in the future. As well, a number of acquired contracts were recorded at their estimated fair value as of the date of acquisition. Under this accounting treatment, excess profits or costs relative to normalized profitability are recorded as contract assets or liabilities and recognized as revenues and cost of revenues over the term to completion of the contract. As a result, the revenue and costs of these contracts reflected through profit or loss will differ from the revenue and costs that would have been recognized under normal course percentage of completion contract accounting. As such, management has chosen to provide supplemental organic growth disclosure to provide greater clarity regarding the impact of PTS on Constellation's consolidated financial results. Excluding PTS, organic growth for Constellation was 2% in Q3 2012 and 1% for the nine months ended September 30, 2012.

The following table provides a summary of the impact of PTS on Constellation's organic revenue growth:

Organic Revenue Growth

	Three months ended September 30, 2012	Nine months ended September 30, 2012
Constellation	-2%	-1%
Constellation excluding PTS	2%	1%

Further details of the PTS acquisition are provided under "Acquisition of PTS from Continental".

Software license revenue for the quarter ended September 30, 2012 increased by 20%, or $3 million to $19 million, from $16 million compared to the same period in 2011. During the nine months ended September 30, 2012, software license revenue increased by 8%, or $4 million to $50 million, from $46 million compared to the same period in 2011. Professional services revenue for the quarter ended September 30, 2012 increased by 10%, or $5 million to $51 million, from $46 million compared to the same period in 2011. During the nine months ended September 30, 2012, professional services revenue increased by 3%, or $4 million to $139 million, from $135 million compared to the same period in 2011. Hardware and other revenue for the quarter ended September 30, 2012 decreased by 20%, or $6 million to $26 million, from $32 million compared to the same period in 2011. During the nine months ended September 30, 2012, hardware and other revenue decreased by 12%, or $10 million to $73 million, from $83 million compared to the same period in 2011. Maintenance and other recurring revenues for the quarter ended September 30, 2012 increased by 20%, or $22 million to $131 million, from $109 million compared to the same period in 2011. During the nine months ended September 30, 2012, maintenance and other recurring revenues increased by 19%, or $58 million to $369 million, from $311 million compared to the same period in 2011. The following table displays the breakdown of our revenue according to revenue type:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
	($000, except percentages)				($000, except percentages)			
Licenses	18,790	15,640	3,150	20%	49,724	46,164	3,560	8%
Professional services	50,494	45,724	4,770	10%	138,556	135,129	3,427	3%
Hardware and other	25,709	32,054	(6,345)	-20%	73,415	83,158	(9,743)	-12%
Maintenance and other recurring	130,987	108,835	22,152	20%	368,532	310,533	57,999	19%
	225,980	202,253	23,727	12%	630,227	574,984	55,243	10%

We aggregate our business into two distinct segments for financial reporting purposes: (i) the public sector reportable segment, which includes business units focused primarily on government and government-related customers, and (ii) the private sector reportable segment, which includes business units focused primarily on commercial customers.

The following table displays our revenue by reportable segment and the percentage change for the three and nine months ended September 30, 2012 compared to the same periods in 2011:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	12,656	10,927	1,729	16%	33,310	32,237	1,073	3%
Professional services	39,689	36,706	2,983	8%	107,480	109,200	(1,720)	-2%
Hardware and other	22,407	29,035	(6,628)	-23%	63,452	74,311	(10,859)	-15%
Maintenance and other recurring	85,831	73,174	12,657	17%	242,295	211,284	31,011	15%
	160,583	149,842	10,741	7%	446,537	427,032	19,505	5%
Private Sector								
Licenses	6,134	4,713	1,421	30%	16,414	13,927	2,487	18%
Professional services	10,805	9,018	1,787	20%	31,076	25,929	5,147	20%
Hardware and other	3,302	3,019	283	9%	9,963	8,847	1,116	13%
Maintenance and other recurring	45,156	35,661	9,495	27%	126,237	99,249	26,988	27%
	65,397	52,411	12,986	25%	183,690	147,952	35,738	24%

Public Sector

For the quarter ended September 30, 2012, total revenue in the public sector reportable segment increased by 7%, or $11 million to $161 million, compared to $150 million for the quarter ended September 30, 2011. For the nine months ended September 30, 2012, total revenue increased by 5%, or $20 million to $447 million, compared to $427 million for the comparable period in 2011. Revenue growth from acquired businesses contributed approximately $17 million to our Q3 2012 revenues and $33 million to our nine months ended September 30, 2012 revenues compared to the same periods in 2011. We completed 21 acquisitions since the beginning of 2011, 10 of which were acquired in fiscal year 2011. Organic revenues decreased by 4% in Q3 2012 and decreased by 3% in the nine months ended September 30, 2012 compared to the same periods in 2011. Excluding PTS, where revenue was expected to decrease, organic revenues remained unchanged in Q3 2012 and decreased by 1% in the nine months ended September 30, 2012 respectively, compared to the same periods in 2011.

Organic Revenue Growth

	Three months ended September 30, 2012	Nine months ended September 30, 2012
Public Sector	-4%	-3%
Public Sector excluding PTS	0%	-1%

The organic revenue change was primarily driven by a decrease in PTS hardware revenue from long-term customer contracts.

Private Sector

For the quarter ended September 30, 2012, total revenue in the private sector reportable segment increased 25%, or $13 million to $65 million, compared to $52 million for the quarter ended September 30, 2011. For the nine months ended September 30, 2012 total revenue increased by 24%, or $36 million to $184 million, compared to $148 million for the comparable period in 2011. Revenue growth from acquired businesses contributed approximately $10 million to our Q3 2012 revenues and $28 million to our nine months ended September 30, 2012 revenues compared to the same periods in 2011. We completed 23 acquisitions since the beginning of 2011, 12 of which were acquired in fiscal year 2011. Revenues increased organically by 5% in both Q3 2012 and in the nine months ended September 30, 2012 compared to the same periods in 2011.

The organic revenue change was primarily driven by strong sales to both existing and new customers primarily in our fitness, food service and attractions verticals.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
	($000, except percentages)				($000, except percentages)			
Expenses								
Staff	120,197	103,085	17,112	17%	339,517	299,691	39,826	13%
Hardware	14,554	18,723	(4,169)	-22%	37,486	47,607	(10,121)	-21%
Third party license, maintenance and professional services	15,134	13,320	1,814	14%	44,095	37,932	6,163	16%
Occupancy	5,450	4,948	502	10%	15,114	14,251	863	6%
Travel	8,595	7,221	1,374	19%	24,607	20,679	3,928	19%
Telecommunications	2,792	2,554	238	9%	7,842	7,435	407	5%
Supplies	3,512	3,451	61	2%	10,810	11,747	(937)	-8%
Professional fees	3,979	2,068	1,911	92%	8,046	6,788	1,258	19%
Other	3,130	2,448	682	28%	11,104	7,623	3,481	46%
	177,343	157,818	19,525	12%	498,621	453,753	44,868	10%

Overall expenses for the quarter ended September 30, 2012 increased 12%, or $19 million to $177 million, compared to $158 million during the same period in 2011. As a percentage of total revenue, expenses remained consistent at 78% in the quarter ended September 30, 2012 compared to the quarter ended September 30, 2011. During the nine months ended September 30, 2012, expenses increased 10%, or $45 million to $499 million, compared to $454 million during the same period in 2011. As a percentage of total revenue, overall expenses remained consistent at 79% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The growth in expenses for the three and nine month periods is primarily due to the growth in the number of employees. Our average employee headcount grew 22% from 3,930 in the quarter ended September 30, 2011 to 4,787 in the quarter ended September 30, 2012 primarily due to acquisitions.

Staff expense – Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Professional Services staff expenses include personnel and related costs associated with our delivery of professional services. Research and Development staff expenses include personnel and related costs associated with our research and development efforts. Sales and Marketing staff expenses consist primarily of the personnel and related costs associated with our sales and marketing functions. General and Administrative staff expenses consist primarily of the personnel and related costs associated with the administration of the business. The table below compares the period over period variances.

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
	($000, except percentages)				($000, except percentages)			
Professional services	27,330	25,019	2,311	9%	76,922	76,055	867	1%
Maintenance	24,158	19,747	4,411	22%	68,166	57,148	11,018	19%
Research and development	32,617	26,337	6,280	24%	91,161	76,574	14,587	19%
Sales and marketing	16,478	13,401	3,077	23%	46,636	40,433	6,203	15%
General and administration	19,614	18,581	1,033	6%	56,632	49,481	7,151	14%
	120,197	103,085	17,112	17%	339,517	299,691	39,826	13%

Professional services – Staff expenses related to our Professional services operating department increased 9%, or $2 million to $27 million, for the quarter ended September 30, 2012. During the nine months ended September 30, 2012 staff expenses related to our Professional services operating department increased 1%, or $1 million to $77 million, compared to $76 million over the same period in 2011. The increase in staff expenses related to our Professional services operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

Maintenance – Staff expenses related to our Maintenance operating department increased 22%, or $4 million to $24 million, for the quarter ended September 30, 2012 compared to $20 million for the same period in 2011. During the nine months ended September 30, 2012 staff expenses related to our Maintenance operating department increased 19%, or $11 million to $68 million, compared to $57 million over the same period in 2011. The increase in staff expenses related to our Maintenance operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

Research and development – Staff expenses related to our Research and development operating department increased 24%, or $7 million to $33 million for the quarter ended September 30, 2012 from $26 million for the same period in 2011. During the nine months ended September 30, 2012 staff expenses related to our Research and development operating department increased 19%, or $14 million to $91 million, compared to $77 million over the same period in 2011. The increase in staff expenses related to our Research and development operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

Sales and marketing – Staff expenses related to our Sales and marketing operating department increased 23%, or $3 million to $16 million for the quarter ended September 30, 2012 compared to $13 million for the same period in 2011. During the nine months ended September 30, 2012 staff expenses related to our Sales and marketing operating department increased 15%, or $7 million to $47 million, compared to $40 million over the same period in 2011. The increase in staff expenses related to our Sales and marketing operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

General and administration – Staff expenses related to our General and administrative operating department increased 6%, or $1 million to $20 million for the quarter ended September 30, 2012 from $19 million for the same period in 2011. During the nine months ended September 30, 2012 staff expenses related to our General and administrative operating department increased 14%, or $7 million to $57 million, compared to $50 million over the same period in 2011. The increase in staff expenses related to our General and administration operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

Hardware expenses – Hardware expenses for the quarter ended September 30, 2012 decreased 22%, or $4 million to $15 million, compared to $19 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012 Hardware expenses decreased 21%, or $11 million to $37 million, from $48 million over the same periods in 2011. The decrease in hardware expenses is attributable to the decrease in hardware and other revenue.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses for the quarter ended September 30, 2012 increased 14%, or $2 million to $15 million, compared to $13 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012 Third party license, maintenance and professional services expense increased 16%, or $6 million to $44 million, from $38 million over the same period in 2011. The increase is primarily due to an increase in maintenance revenue for the three and nine months ended September 30, 2012 compared to the same periods in 2011.

Travel expenses – Travel expenses for the quarter ended September 30, 2012 increased 19%, or $2 million to $9 million, compared to $7 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012 Travel expenses increased 19%, or $4 million to $25 million, from $21 million over the same period in 2011. The increase is primarily due to increased travel expenses associated with acquisition activity and an increase in the Company's international operations.

Professional fees – Professional fees for the quarter ended September 30, 2012 increased 92%, or $2 million to $4 million, compared to $2 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012 Professional fees increased 19%, or $1 million to $8 million, from $7 million over the same period in 2011. The increase is primarily due to legal and tax advisory fees associated with acquisitions, tax planning, and legal fees associated with the customer dispute as described under "Acquisition of certain software assets and liabilities from MAXIMUS Inc."

Other – Other expenses for the quarter ended September 30, 2012 increased 28%, or $1 million to $3 million, compared to $2 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012, Other expenses increased 46%, or $3 million to $11 million, from $8 million over the same period in 2011. The increase is primarily due to an increase in marketing related expenses and recruitment expenses and fees incurred in connection with the secondary offering of the Company's common shares in Q1 2012.

Other Income and Expenses:

The following table displays the breakdown of our other income and expenses:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
	($000, except percentages)				($000, except percentages)			
Depreciation	2,112	1,957	155	8%	5,633	6,039	(406)	-7%
Amortization of intangible assets	22,099	19,135	2,964	15%	61,643	55,733	5,910	11%
Impairment of non-financial assets	0	518	(518)	-100%	0	518	(518)	-100%
Foreign exchange (gain) loss	(321)	(905)	584	-65%	(330)	3,028	(3,358)	-111%
Equity in net (income) loss of equity investees	(216)	0	(216)	NM	875	0	875	NM
Finance income	(2,066)	(2,795)	729	-26%	(3,529)	(6,167)	2,638	-43%
Finance costs	1,131	1,462	(331)	-23%	2,923	4,589	(1,666)	-36%
Income tax expense (recovery)	4,833	5,758	(925)	NM	11,810	(80,288)	92,098	NM
	27,572	25,130	2,442	10%	79,025	(16,548)	95,573	-578%

Depreciation – Depreciation of property and equipment remained unchanged at $2 million in the quarter ended September 30, 2012 compared to the same period in 2011. During the nine months ended September 30, 2012, depreciation of property and equipment remained unchanged at $6 million compared to the same period in 2011.

Amortization of intangible assets – Amortization of intangible assets for the quarter ended September 30, 2012 increased by 15%, or $3 million to $22 million, compared to $19 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012, Amortization of intangible assets increased 11%, or $6 million to $62 million, from $56 million over the same period in 2011. The increase is attributable to an increase in the carrying amount of our intangible asset balance over the twelve month period ended September 30, 2012 as a result of acquisitions completed during this period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the quarter ended September 30, 2012, our foreign exchange gain was $0.3 million compared to a gain of $1 million in the quarter ended September 30, 2011. For the nine months ended September 30, 2011 the foreign exchange gain was $0.3 million compared to a loss of $3 million for the same period in 2011. The foreign exchange loss in the prior year was due to realized losses on the settlement of certain non-USD liabilities and due to holding losses on certain non-USD liabilities.

Equity in net (income) loss of equity investees – Equity in net (income) loss of equity investees was an income of $0.2 million for the quarter ended September 30, 2012 compared to nil for the quarter ended September 30, 2011. For the nine months ended September 30, 2012, Equity in net (income) loss of equity investees was a loss of $1 million compared to nil for the same period in 2011. The $0.2 million of income in the quarter ended September 30, 2012 relates to our proportionate share of the income recorded by an equity investee for the period. The $1 million loss for the nine months ended September 30, 2012 resulted primarily from our share of a goodwill impairment charge recorded by the equity investee.

Finance income – Finance income for the quarter ended September 30, 2012 decreased 26%, or $1 million to $2 million, compared to $3 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012, Finance income decreased 43%, or $2 million to $4 million, from $6 million over the same period in 2011. The decrease in finance income for the three and nine month periods ending September 30, 2012 is due to a lower gain realized on available-for-sale financial assets.

Finance costs – Finance costs for the quarter ended September 30, 2012 remained unchanged at $1 million compared to the quarter ended September 30, 2011. During the nine months ended September 30, 2012, Finance costs decreased 36%, or $2 million to $3 million, from $5 million over the same period in 2011. The decrease in finance costs for the nine month periods ended September 30, 2012 is primarily due to less interest expense on our revolving line of credit resulting from relatively decreased borrowings.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our tax rate is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses. The decrease in income tax recovery for the nine months ended September 30, 2012 compared to the same period in 2011 was primarily due to a transfer of certain intangible assets from one subsidiary to another in the same period last year. In the prior year, a deferred tax asset was recorded on the increase in fair market value arising on the sale of intellectual property between entities within the Company at the rate of tax of the entity that acquired the assets notwithstanding that the gains are not otherwise recorded for accounting and financial reporting on consolidation. The deferred income tax recovery recorded through profit or loss represented the amount of these deferred income tax deductions that the Company determined was probable of being utilized for income tax deduction purposes in the future. Excluding deferred income tax recovery, income tax expense as a percent of net income before income taxes was 23% for the quarter ended September 30, 2012 compared to 20% for the same period in 2011. Excluding deferred income tax recovery, income tax expense as a percent of net income before income taxes was 25% for the nine months ended September 30, 2012 compared to 23% for the same period in 2011.

Net Income:

Net income for the quarter ended September 30, 2012 was $21 million compared to net income of $19 million for the same period in 2011. On a per share basis this translated into a net income per diluted share of $0.99 in the quarter ended September 30, 2012 compared to net income per diluted share of $0.91 in the quarter ended September 30, 2011. For the first nine months of 2012, net income was $53 million or $2.48 per diluted share compared to $138 million or $6.50 per diluted share in the first nine months of 2011. Excluding our income tax recovery, net income remained unchanged at $20 million in the quarter ended September 30, 2012 compared to the quarter ended September 30, 2011 and increased by 10% to $48 million from $44 million in the nine months ended September 30, 2012. The increase in net income, excluding the income tax recovery, in the nine months ended September 30, 2012 was primarily due to an increase in Adjusted EBITDA.

Adjusted EBITDA:

For Q3 2012, Adjusted EBITDA increased to $49 million compared to $44 million in Q3 2011 representing an increase of 9%. Adjusted EBITDA margin was 22% in both the third quarter of 2012 and 2011. For the first nine months of 2012, Adjusted EBITDA increased to $132 million compared to $121 million during the same period in 2011, representing an increase of 9%. Adjusted EBITDA margin was 21% in both the first nine months of 2012 and the first nine months of 2011. See "Non-IFRS Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net income:

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 225,980	$ 202,253	$ 630,227	$ 574,984
Net income	21,065	19,305	52,581	137,779
Adjusted for:				
Income tax expense (recovery)	4,833	5,758	11,810	(80,288)
Foreign exchange (gain) loss	(321)	(905)	(330)	3,028
Equity in net (income) loss of equity investees	(216)	0	875	0
Finance income	(2,066)	(2,795)	(3,529)	(6,167)
Finance costs	1,131	1,462	2,923	4,589
Impairment of non-financial assets	0	518	0	518
Amortization of intangible assets	22,099	19,135	61,643	55,733
Depreciation	2,112	1,957	5,633	6,039
Adjusted EBITDA	48,637	44,435	131,606	121,231
Adjusted EBITDA margin	22%	22%	21%	21%

Adjusted net income:

For Q3 2012, Adjusted net income increased by $2 million to $42 million compared to $40 million in Q3 2011, representing an increase of 6%. Adjusted net income margin was 19% in the third quarter of 2012 compared to 20% in the third quarter 2011. For the first nine months of 2012, Adjusted net income increased by

$10 million to $110 million compared to $100 million during the same period in 2011, representing an increase of 10%. Adjusted net income margin was 17% in both the first nine months of 2012 and 2011. The increase in Adjusted net income for the three and nine months ended September 30, 2012 is largely due to an increase in Adjusted EBITDA. See "Non-IFRS Measures" for a description of Adjusted net income and Adjusted net income margin.

The following table reconciles Adjusted net income to net income:

(Unaudited)	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 225,980	$ 202,253	$ 630,227	$ 574,984
Net income	21,065	19,305	52,581	137,779
Adjusted for:				
Amortization of intangible assets	22,099	19,135	61,643	55,733
Impairment of non-financial assets	0	518	0	518
Deferred income tax (recovery) expense	(1,085)	759	(4,277)	(93,764)
Adjusted net income	42,079	39,717	109,947	100,266
Adjusted net income margin	19%	20%	17%	17%

Quarterly Results

(Unaudited)	Dec. 31 2010	Mar. 31 2011	Jun. 30 2011	Sep. 30 2011	Dec. 31 2011	Mar. 31 2012	Jun. 30 2012	Sep. 30 2012
	Quarter Ended ($000, except per share amounts)							
		Note 1	*Note 1*	*Note 1*				
Revenue	171,986	177,632	195,099	202,253	198,357	195,278	208,969	225,980
Net Income	10,877	62,488	55,986	19,305	19,395	13,924	17,592	21,065
Adjusted Net Income	22,546	27,042	33,507	39,717	40,229	31,707	36,161	42,079
Net Income per share								
Basic & diluted	0.51	2.95	2.64	0.91	0.92	0.66	0.83	0.99
Adjusted Net Income per share								
Basic & diluted	1.06	1.28	1.58	1.87	1.90	1.50	1.71	1.99

Note 1: Net income amounts for each of the quarterly periods in the nine months ended September 30, 2011 have been adjusted to correct for out of period errors that were corrected for in the quarter ended December 31, 2011. This resulted in a reduction of the deferred income tax recovery in profit and loss for each of the quarterly periods in the nine months ended September 30, 2011 totalling $1,741, $2,613 and $2,613 respectively, which have been reflected herein.

We do not generally experience significant seasonality in our operating results from quarter to quarter. However, our quarterly results may fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain occasional expenditures or gains which may include bargain purchase gains and loss (gain) on the sale of available-for-sale equity securities and other assets.

Acquisition of PTS from Continental

On November 2, 2009, Constellation acquired the Public Transit Solutions business ("PTS") from Continental AG ("Continental").

Management believes cash flows from operations is useful supplemental information about the performance of the underlying business as certain acquisition related accounting adjustments and the impact of contract accounting in a business combination under IFRS, where applicable, may result in reported earnings that differ materially from cash flow from operations. Additionally, non-cash operating working capital requirements can fluctuate significantly depending on contract billings, customer deposits and inventory requirements, which may have a material impact on cash flows from operations.

A number of acquired contracts were recorded at their estimated fair value as of the date of acquisition. Under this accounting treatment, excess profits or costs relative to normalized profitability are recorded as contract assets or liabilities and recognized as revenues and cost of revenues over the term to completion of the contract. As a result, the revenue and costs of these contracts reflected through profit or loss will differ from the revenue and costs that would have been recognized under normal course percentage of completion contract accounting.

Cash flows from operations from PTS will fluctuate significantly from quarter to quarter due to the timing of receipt of milestone payments associated with large customer contracts. PTS has contributed $33 million in cash flows from operations since the date of acquisition; however, in the first nine months of 2012, cash flows from operations at PTS were negative $2 million. The negative operating cash flows for the nine months ended September 30, 2012 was primarily driven by the payment of 2011 employee bonuses and an increase in net working capital.

As part of the PTS acquisition, Constellation also assumed certain long-term contracts that contain contingent liabilities which may, but in management's opinion 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 maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

Supplemental Financial Information for PTS

The table below provides certain supplemental statements of comprehensive income and cash flows information regarding PTS for the three and nine months ended September 30, 2012. PTS is not considered a reportable operating segment of Constellation; however, management has chosen to provide certain supplemental financial information to provide greater clarity into the operating performance and cash flows from operations of each business. Management believes cash flows from operations is useful supplemental information about the performance of the underlying business as certain purchase price adjustments and contract accounting under IFRS may result in reported earnings that differ materially from cash flow from operations.

Supplemental financial information

	For the three months ended September 30, 2012			For the nine months ended September 30, 2012		
(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Revenue	$ 193,251	$ 32,729	$ 225,980	$ 535,099	$ 95,128	$ 630,227
Adjusted EBITDA	42,795	5,842	48,637	113,633	17,973	131,606
EBITDA as % Total Revenue	22%	18%	22%	21%	19%	21%
Net Income	$ 16,509	$ 4,556	$ 21,065	$ 37,894	$ 14,687	$ 52,581
Cash flows from operating activities:						
Net income	$ 16,509	$ 4,556	$ 21,065	$ 37,894	$ 14,687	$ 52,581
Adjustments to reconcile net income to net cash flows from operations, including taxes paid:	18,854	1,122	19,976	57,772	2,942	60,714
Change in non-cash operating working capital	2,951	1,541	4,492	(9,317)	(20,030)	(29,347)
Cash flows from operating activities	$ 38,314	$ 7,219	$ 45,533	$ 86,349	$ (2,401)	$ 83,948

Adjusted EBITDA to net income reconciliation

	For the three months ended September 30, 2012			For the nine months ended September 30, 2012		
(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Total revenue	$ 193,251	$ 32,729	$ 225,980	$ 535,099	$ 95,128	$ 630,227
Net income	16,509	4,556	21,065	37,894	14,687	52,581
Adjusted for:						
Income tax expense	3,989	844	4,833	9,635	2,175	11,810
Other expenses (income)	(1,739)	267	(1,472)	(678)	617	(61)
Amortization of intangible assets	22,099	-	22,099	61,643	-	61,643
Depreciation	1,937	175	2,112	5,139	494	5,633
Adjusted EBITDA	42,795	5,842	48,637	113,633	17,973	131,606
Adjusted EBITDA margin	22%	18%	22%	21%	19%	21%

Acquisition of certain software assets and liabilities from MAXIMUS Inc.

On September 30, 2008, Constellation acquired certain assets and liabilities of MAXIMUS Inc.'s Asset, Justice, and Education businesses ('MAJES') for net cash consideration of $34 million.

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, MAXIMUS Inc. ("Maximus") and a subsidiary of Constellation 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 claims 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 pursuant to the contract have entered arbitration proceedings in respect of the customer's remaining claims. The potential liability is undefined with respect to the remainder of the claims in arbitration, 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 in arbitration, should there be an unfavourable outcome to the Company. In October 2012, the customer filed a claim in court alleging no contract existed between the customer and the subsidiary of Constellation. As a result, the customer is seeking restitution of a minimum of $12 million. Constellation does not believe the claim is valid and intends to contest it to the full extent possible.

Liquidity

Our net cash position (cash less bank indebtedness) at September 30, 2012 was negative $3 million compared to $33 million at December 31, 2011. Net borrowings on our line of credit increased by $39 million and cash increased by $3 million to $36 million at September 30, 2012 compared to our cash position of $33 million at December 31, 2011.

Total assets increased $129 million, from $631 million at December 31, 2011 to $760 million at September 30, 2012. The increase is primarily due to an increase in accounts receivable of $24 million, work in progress of $9 million, and other current and non-current assets of $13 million associated with an increase in intangible assets of $62 million arising from acquisitions made in 2012.

Current liabilities increased $117 million, from $321 million at December 31, 2011 to $438 million at September 30, 2012. The increase can be explained by an increase in borrowings on our line of credit of $39 million, an increase in accounts payable and accrued liabilities of $9 million, an increase in dividends payable of $21 million, an increase in deferred revenue of $43 million primarily due to acquisitions and the timing of billings versus revenue recognized and an increase in acquisition holdback payments of $9 million in connection with increased capital deployed on acquisitions. This increase was partially offset by a decrease in acquired contract liabilities of $2 million.

Net Changes in Cash Flows (in millions of $)	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**
Net cash provided by operating activities	$84	$81
Net cash used in financing activities	(10)	(60)
Net cash used in investing activities	(72)	(33)
Positive (negative) impact of foreign currency	0.5	(0.5)
Net increase (decrease) in cash and cash equivalents	$3	($13)

The net cash flows from operating activities was $84 million for the nine months ended September 30, 2012. The $84 million provided by operating activities resulted from approximately $53 million in net income, plus $79 million of non-cash adjustments to net income, offset by $29 million of cash used by an increase in our non-cash operating working capital and $18 million in taxes paid.

The net cash used in financing activities in the nine months ended September 30, 2012 was $10 million, which is mainly a result of an increase in bank indebtedness of $36 million, which was offset by dividends paid in the period of $42 million. The decrease in net cash used in financing activities in 2012 compared to the prior year is mainly attributed to a change in bank indebtedness. In the nine months ended September 30, 2011, we paid down $12 million of bank indebtedness compared to an increase of $36 million for the nine months ended September 30, 2012.

The net cash used in investing activities in the nine months ended September 30, 2012 was $72 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $77 million (including payments for holdbacks relating to acquisitions closed prior to December 31, 2011) and the purchase of property and equipment of $5 million, which was offset by $9 million of proceeds from sale of available-for-sale financial assets. The increase in cash used for investing activities in the nine months ended September 30, 2012 compared to the same period in the prior year is mainly attributed to payments related to acquisitions. For the nine months ended September 30, 2011, we made $36 million in acquisition related payments (including payments for holdbacks relating to acquisitions closed prior to December 31, 2010) compared to payments of $77 million for the same period in 2012.

We believe we have more than sufficient cash to continue to operate for the foreseeable future. Generally our VMS businesses operate with negative working capital as a result of the collection of maintenance payments and other revenues in advance of the performance of the related services. As such, management anticipates that it can continue to grow the business organically without any additional funding. If we continue to acquire VMS businesses we may need additional external funding depending upon the size and timing of the acquisitions.

Capital Resources and Commitments

In Q1 2012, we entered into a new credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300 million which replaced our previous $160 million facility. The credit facility is collateralized by substantially all of our assets including the assets of the majority of our material Canadian and U.S. subsidiaries. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries. As at September 30, 2012, we had drawn $41 million on this facility. Transaction costs associated with this facility 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. As at September 30, 2012, the carrying amount of such costs relating to this facility totalling $2 million has been classified as part of bank indebtedness in the statement of financial position. Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration, or earn out obligations, based on the future performance of the acquired business. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities (aside from our shareholdings in publicly traded companies included in our available for sale financial assets and our equity investments included in other assets) that would have a significant effect on our assets and liabilities as at September 30, 2012.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact could significantly affect future net earnings. We cannot predict the effect of foreign exchange losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition. 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 September 30, 2012 based on foreign exchange rates relative to the stated rate in the contract. The fair value loss adjustment of $0.2 million has been recorded in finance costs in profit or loss. The contract was settled on October 3, 2012.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the three and nine month periods ended September 30, 2012:

	Three Months Ended September 30,2012		Nine Months Ended September 30, 2012	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	68%	57%	67%	55%
CAD	10%	21%	11%	22%
GBP	11%	10%	12%	11%
EURO	5%	3%	5%	3%
CHF	1%	4%	1%	4%
Others	5%	5%	4%	5%
Total	100%	100%	100%	100%

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year.

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended 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.

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.

Share Capital

As at October 31, 2012, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

A complete description of the risks and uncertainties affecting the Company is included in the most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Canada Revenue Agency Reassessment and Other Tax Uncertainties

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 million in federal tax and interest and approximately $5 million in provincial tax and interest. In order to appeal the reassessment, the subsidiary paid $8 million in September 2012 representing 50% of the amount owing from the federal reassessment and 100% of the amount owing from the provincial reassessment. 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 the Unaudited Condensed Consolidated Interim Financial Statements during the period. 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. The $8 million payment made in September 2012 has been recorded in other non-current assets.

The Company is subject to various other income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of such other outstanding audits and claims remains uncertain, it is expected that they will be resolved without a material impact to the Company's financial position.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At September 30, 2012, the President and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

In accordance with National Instrument 52-109 which requires certification of disclosure in issuers' interim filings, the President and Chief Financial Officer have designed or caused it to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that (i) information required to be disclosed by the Company in its quarterly filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

In addition, the President and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The control framework the President and the Chief Financial Officer used to design the Company’s ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

The President and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the nine-month period ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect the Company’s ICFR. No such changes were identified through their evaluation.

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

CONSTELLATION SOFTWARE INC.

For the three and nine month periods ended September 30, 2012 and 2011
(Unaudited)

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash	$ 35,742	$ 33,492
Equity securities available-for-sale (note 5)	26,145	21,222
Accounts receivable	120,163	96,259
Work in progress	35,301	26,244
Inventories	19,888	13,539
Other assets (note 6)	33,586	29,772
	270,825	220,528
Non-current assets:		
Property and equipment	17,532	14,591
Deferred income taxes	105,271	99,659
Other assets (note 6)	36,712	28,005
Intangible assets (note 7)	330,032	267,792
	489,547	410,047
Total assets	$ 760,372	$ 630,575
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 8)	$ 39,226	$ -
Accounts payable and accrued liabilities	123,516	114,952
Dividends payable (note 11)	20,970	-
Deferred revenue	224,618	181,450
Provisions (note 9)	3,947	3,555
Acquired contract liabilities	2,412	4,750
Acquisition holdback payments	19,928	11,378
Income taxes payable	3,535	4,751
	438,152	320,836
Non-current liabilities:		
Deferred income taxes	20,550	11,259
Acquired contract liabilities	24,858	28,051
Acquisition holdback payments	4,729	2,474
Other liabilities	16,172	11,675
	66,309	53,459
Total liabilities	504,461	374,295
Shareholders' equity (note 11):		
Capital stock	99,283	99,283
Accumulated other comprehensive income	17,587	6,961
Retained earnings	139,041	150,036
	255,911	256,280
Subsequent events (notes 11, 13,16,18)		
Total liabilities and shareholders' equity	$ 760,372	$ 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 September 30, 2012	Three months ended September 30, 2011 (Recast - Note 2)	Nine months ended September 30, 2012	Nine months ended September 30, 2011 (Recast - Note 2)
Revenue (note 12)	$ 225,980	$ 202,253	$ 630,227	$ 574,984
Expenses				
Staff	120,197	103,085	339,517	299,691
Hardware	14,554	18,723	37,486	47,607
Third party license, maintenance and professional services	15,134	13,320	44,095	37,932
Occupancy	5,450	4,948	15,114	14,251
Travel	8,595	7,221	24,607	20,679
Telecommunications	2,792	2,554	7,842	7,435
Supplies	3,512	3,451	10,810	11,747
Professional fees	3,979	2,068	8,046	6,788
Other	3,130	2,448	11,104	7,623
Depreciation	2,112	1,957	5,633	6,039
Amortization of intangible assets (note 7)	22,099	19,135	61,643	55,733
	201,554	178,910	565,897	515,525
Impairment of non-financial assets	-	518	-	518
Foreign exchange (gain) loss	(321)	(905)	(330)	3,028
Equity in net (income) loss of equity investees	(216)	-	875	-
Finance income (note 13)	(2,066)	(2,795)	(3,529)	(6,167)
Finance costs (note 13)	1,131	1,462	2,923	4,589
	(1,472)	(1,720)	(61)	1,968
Profit before income tax	25,898	25,063	64,391	57,491
Current income tax expense	5,918	4,999	16,087	13,476
Deferred income tax (recovery) expense	(1,085)	759	(4,277)	(93,764)
Income tax expense (recovery) (note 10)	4,833	5,758	11,810	(80,288)
Net income	21,065	19,305	52,581	137,779
Net change in fair value on available-for-sale financial assets during the period	8,907	913	13,821	4,478
Net unrealized foreign exchange gain (loss) on available-for-sale financial assets during the period	72	(308)	45	(90)
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial assets	(1,900)	(2,770)	(2,963)	(5,882)
Foreign currency translation differences from foreign operations	1,875	(2,015)	1,073	(1,212)
Current income tax recovery	34	75	26	75
Deferred income tax recovery (expense)	(1,063)	430	(1,376)	408
Other comprehensive income (loss) for the period, net of income tax	7,925	(3,675)	10,626	(2,223)
Total comprehensive income for the period	$ 28,990	$ 15,630	$ 63,207	$ 135,556
Earnings per share				
Basic and diluted (note 14)	$ 0.99	$ 0.91	$ 2.48	$ 6.50

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)

Nine months ended September 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					52,581	52,581
Other comprehensive income (loss)						
Net change in fair value on available-for-sale financial assets during the period			13,821	13,821	-	13,821
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			45	45	-	45
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments			(2,963)	(2,963)	-	(2,963)
Foreign currency translation differences from foreign operations		1,073	-	1,073	-	1,073
Current tax expense		26	-	26	-	26
Deferred tax expense		-	(1,376)	(1,376)	-	(1,376)
Total other comprehensive income for the period		**1,099**	**9,527**	**10,626**	**-**	**10,626**
Total comprehensive income for the period		**1,099**	**9,527**	**10,626**	**52,581**	**63,207**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 11)					(63,576)	(63,576)
Balance at September 30, 2012	**$ 99,283**	**$ 1,281**	**$ 16,306**	**$ 17,587**	**$ 139,041**	**$ 255,911**

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)

Nine months ended September 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					137,779	137,779
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 expense		75	-	75	-	75
Deferred tax expense		124	284	408	-	408
Total other comprehensive income (loss) for the period		**(1,013)**	**(1,210)**	**(2,223)**	**-**	**(2,223)**
Total comprehensive income (loss) for the period		**(1,013)**	**(1,210)**	**(2,223)**	**137,779**	**135,556**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 11)					(42,384)	(42,384)
Balance at September 30, 2011	**$ 99,283**	**$ (581)**	**$ 5,933**	**$ 5,352**	**$ 131,588**	**$ 236,223**

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 September 30, 2012	Three months ended September 30, 2011 (Recast - Note 2)	Nine months ended September 30, 2012	Nine months ended September 30, 2011 (Recast - Note 2)
Cash flows from operating activities:				
Net income	$ 21,065	$ 19,305	$ 52,581	$ 137,779
Adjustments for:				
Depreciation	2,112	1,957	5,633	6,039
Amortization of intangible assets	22,099	19,135	61,643	55,733
Impairment of non-financial assets	-	518	-	518
Equity in net (income) loss of equity investees	(216)	-	875	-
Finance income	(2,066)	(2,795)	(3,529)	(6,167)
Finance costs	1,131	1,462	2,923	4,589
Income tax expense (recovery)	4,833	5,758	11,810	(80,288)
Foreign exchange (gain) loss	(321)	(905)	(330)	3,028
Change in non-cash operating working capital (note 17)	4,492	12,511	(29,347)	(30,437)
Income taxes paid	(7,596)	(3,295)	(18,311)	(10,023)
Net cash flows from operating activities	45,533	53,651	83,948	80,771
Cash flows from financing activities:				
Interest paid	(634)	(1,526)	(1,471)	(3,989)
Increase (decrease) in other non current liabilities	(192)	(1,800)	(70)	(1,959)
Increase (decrease) in bank indebtedness, net	6,710	(67,746)	36,052	(12,031)
Credit facility transaction costs	(191)	-	(2,077)	-
Dividends paid	(21,192)	-	(42,384)	(42,384)
Net cash flows used in financing activities	(15,499)	(71,072)	(9,950)	(60,363)
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired (note 4)	(14,507)	(1,510)	(65,144)	(33,054)
Post-acquisition settlement payments, net of receipts	(7,038)	(1,503)	(11,671)	(2,602)
Purchases of equity securities available-for-sale	(131)	-	(211)	(5,944)
Proceeds from sale of equity securities available-for-sale	7,293	7,011	9,156	13,499
Proceeds from sale of intangible assets	-		101	-
Decrease in restricted cash	-	107	-	557
Interest received	164	164	243	318
Property and equipment purchased	(2,132)	(1,640)	(4,673)	(5,704)
Cash flows provided from (used in) investing activities	(16,351)	2,629	(72,199)	(32,930)
Effect of foreign currency translation adjustment on cash and cash equivalents	388	2,751	451	(218)
Increase (decrease) in cash and cash equivalents	14,071	(12,041)	2,250	(12,740)
Cash, beginning of period	21,671	30,212	33,492	30,911
Cash, end of period	$ 35,742	$ 18,171	$ 35,742	$ 18,171

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim 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 nine month periods ended September 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	Marine asset management

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	Agriculture equipment dealerships	Retail management and distribution
Radiology & Laboratory Information Systems	Window manufacturers	

(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 October 31, 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.

<u>Recast of prior period financial information</u>

Net income for the three and nine months ended September 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 nine month periods totalling $2,613 and $6,967 respectively. Accordingly, the condensed consolidated interim statements of comprehensive income, changes in equity, and cash flows for the three and nine months ended September 30, 2011 have been adjusted for this correction.

	Three months ended September 30, 2011		Nine months ended September 30, 2011	
	Previously Reported	**Recast**	**Previously Reported**	**Recast**
Deferred income tax recovery	(1,854)	759	(100,731)	(93,764)
Net income	21,918	19,305	144,746	137,779
Earnings per share				
Basic and diluted	$ 1.03	$ 0.91	$ 6.83	$ 6.50

(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.

New standards and interpretations not yet adopted

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.

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.

4. Business acquisitions

During the nine months ended September 30, 2012, the Company closed twenty-two acquisitions for aggregate cash consideration of $79,383 plus cash holdbacks of $20,991 and contingent consideration with an estimated fair value of $8,001, resulting in total consideration of $108,375. The contingent consideration is payable on the achievement of certain financial targets. The obligation for contingent consideration for acquisitions during the nine months ended September 30, 2012 has been recorded at its estimated fair value, which has been determined to be $8,001 at the various acquisition dates. Estimated fair value of the contingent consideration is calculated using the weighted probability of the expected contingent consideration and inclusion of a discount rate as appropriate. 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 $14,106. Aggregate contingent consideration of $14,358 (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.

There were no acquisitions during the period that were deemed to be individually material. Of the twenty-two acquisitions, the Company acquired 100% of the shares of fifteen companies and acquired the net assets of the other seven 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, construction, agriculture equipment dealerships, retail management and distribution, and marine asset 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 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 $7,007 is expected to be deductible for income tax purposes.

Due to the complexity and timing of certain acquisitions made in the period, the Company is still in the process of determining and finalizing the fair value of the net assets 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, including acquired contract liabilities. Eleven of the acquisitions have been included in the Private reportable segment and eleven have been included in the Public reportable segment.

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

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 7,670	$ 6,569	$ 14,239
Accounts receivable	15,588	3,867	19,455
Other current assets	10,347	1,542	11,889
Property and equipment	2,812	1,004	3,816
Other long term assets	1,322	-	1,322
Deferred income taxes	1,264	-	1,264
Technology assets	52,266	19,320	71,586
Customer assets	22,802	10,118	32,920
Backlog	1,001	-	1,001
	115,072	42,420	157,492
Liabilities assumed:			
Bank indebtedness	4,948	-	4,948
Current liabilities	20,585	3,438	24,023
Deferred revenue	19,819	5,197	25,016
Deferred income taxes	4,641	3,312	7,953
Other non-current liabilities	1,042	301	1,343
	51,035	12,248	63,283
Goodwill	8,308	5,858	14,166
Total consideration	**$ 72,345**	**$ 36,030**	**$ 108,375**

The 2012 business acquisitions contributed revenue of $34,948 and net loss of $3,287 during the nine months ended September 30, 2012. Revenue and net loss amounts from acquisitions included in the Public sector were $24,497 and $2,303, respectively. Revenue and net loss amounts from acquisitions included in the Private sector were $10,452 and $984, respectively. If the acquisitions would have occurred on January 1, 2012, management estimates that consolidated revenue would have been $688,041 and consolidated net income for the nine month period would have been $47,882 as compared to the amounts reported in the statement of comprehensive income for the same period. In determining these amounts, management has assumed that the fair value adjustments that arose on the dates of acquisition would have been the same if the acquisitions 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 September 30, 2012, the Company held investments in two (December 31, 2011 – three) public companies listed in the U.S., both of which develop and sell software solutions. Both investments have been designated as available-for-sale. In addition to liquidating 100% of one of the investments previously held, a certain amount of common shares of one of the investments currently held by the Company were sold during the nine months ended September 30, 2012 and, accordingly, a gain on sale of $2,963 was recognized in profit or loss.

	September 30, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Common shares	$ 7,350	$ 26,145	$ 13,330	$ 21,222

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

6. Other assets

	September 30, 2012	December 31, 2011
Prepaid assets	$ 23,727	$ 22,432
Investment tax credits recoverable	3,005	3,201
Acquired contract assets	1,244	-
Sales tax receivable	1,563	621
Other receivables	4,047	3,518
Total current	$ 33,586	$ 29,772
Investment tax credits recoverable	$ 9,824	$ 8,271
Non-current trade and other receivables	11,512	2,508
Equity accounted investees	13,419	14,534
Acquired contract assets	1,957	2,692
Total non-current	$ 36,712	$ 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	72,961	32,834	1,001	-	14,772	121,568
Effect of movements in foreign exchange	2,741	828	24	22	644	4,259
Balance at September 30, 2012	$ 445,914	$ 166,811	$ 14,002	$ 2,707	$ 74,907	$ 704,341
Amortization and impairment losses						
Balance at January 1, 2012	$ 225,112	$ 70,208	$ 12,973	$ 2,429	$ -	$ 310,722
Amortization for the year	43,374	17,911	208	150	-	61,643
Effect of movements in foreign exchange	1,438	423	61	22	-	1,944
Balance at September 30, 2012	$ 269,924	$ 88,542	$ 13,242	$ 2,601	$ -	$ 374,309
Carrying amounts						
At January 1, 2012	$ 145,100	$ 62,941	$ 4	$ 256	$ 59,491	$ 267,792
At September 30, 2012	$ 175,990	$ 78,269	$ 760	$ 106	$ 74,907	$ 330,032

(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 September 30, 2012, $41,000 (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 nine month periods ended September 30, 2012 relating to this line-of-credit amounted to $224 and $303, respectively. As at September 30, 2012, the carrying amount of such costs totalling $1,774 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		2,341
Provisions used during the period		(1,857)
Effect of movements in foreign exchange		41
At September 30, 2012	$	3,947

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 nine months ended September 30, 2012 was 18 percent (nine months ended September 30, 2011 – negative 140 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 nine months ended September 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
September 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 nine months ended September 30, 2012 the Board of Directors approved and the Company declared dividends of $3.00 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, a second dividend of $1.00 per share representing $21,192 was paid and settled on July 4, 2012, and a third dividend of $1.00 per share representing $21,192 was accrued as at September 30, 2012 and subsequently paid and settled on October 3, 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 September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
License revenue	$ 18,790	$ 15,640	$ 49,724	$ 46,164
Professional services revenue	50,494	45,724	138,556	135,129
Hardware and other revenue	25,709	32,054	73,415	83,158
Maintenance and other recurring revenue	130,987	108,835	368,532	310,533
Total	**$ 225,980**	**$ 202,253**	**$ 630,227**	**$ 574,984**

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 yet 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 September 30		Nine months ended September 30,	
	2012	2011	2012	2011
Gain on sale of available-for-sale financial assets transferred from other comprehensive income	$ (1,900)	$ (2,770)	$ (2,963)	$ (5,882)
Gain on sale of intangible assets	-	-	(321)	-
Other interest income	(166)	(25)	(245)	(285)
Finance income	$ (2,066)	$ (2,795)	$ (3,529)	$ (6,167)
Interest expense on bank indebtedness	$ 416	$ 1,286	$ 1,122	$ 3,741
Amortization of debt related transaction costs	224	176	947	538
Other interest expense	491	-	854	310
Finance costs	$ 1,131	$ 1,462	$ 2,923	$ 4,589

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 September 30, 2012 based on foreign exchange rates relative to the stated rate in the contract. The fair value loss through profit or loss of $218 has been recorded in finance costs. The contract was settled on October 3, 2012.

14. Earnings per share

Basic and diluted earnings per share

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
		(Recast - Note 2)		(Recast - Note 2)
Numerator:				
Net income	$ 21,065	$ 19,305	$ 52,581	$ 137,779
Denominator:				
Basic and diluted shares outstanding	21,192	21,192	21,192	21,192
Earnings per share				
Basic and diluted	$ 0.99	$ 0.91	$ 2.48	$ 6.50

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 note 3.

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 September 30, 2012	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 160,583	$ 65,397	$ -	$ 225,980
Expenses				
Staff	84,688	35,509	-	120,197
Hardware	12,485	2,069	-	14,554
Third party licenses, maintenance and professional services	9,463	5,671	-	15,134
Occupancy	3,841	1,609	-	5,450
Travel	6,905	1,690	-	8,595
Telecommunications	1,885	907	-	2,792
Supplies	2,613	899	-	3,512
Professional fees	3,232	747	-	3,979
Other	1,433	1,697	-	3,130
Depreciation	1,452	562	98	2,112
Amortization of intangible assets	15,251	6,848	-	22,099
	143,248	58,208	98	201,554
Foreign exchange (gain) loss	545	(688)	(178)	(321)
Equity in net income of equity investees	-	-	(216)	(216)
Finance income	(129)	(35)	(1,902)	(2,066)
Finance costs	301	190	640	1,131
Inter-company expenses (income)	4,190	1,972	(6,162)	-
	4,907	1,439	(7,818)	(1,472)
Profit (loss) before income tax	12,428	5,750	7,720	25,898
Current income tax expense (recovery)	4,636	2,279	(997)	5,918
Deferred income tax expense (recovery)	241	(1,193)	(133)	(1,085)
Income tax expense (recovery)	4,877	1,086	(1,130)	4,833
Net income	7,551	4,664	8,850	21,065

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

Nine months ended September 30, 2012	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 446,537	$ 183,690	$ -	$ 630,227
Expenses				
Staff	237,380	102,137	-	339,517
Hardware	31,500	5,986	-	37,486
Third party licenses, maintenance and professional services	28,510	15,585	-	44,095
Occupancy	10,573	4,541	-	15,114
Travel	19,341	5,266	-	24,607
Telecommunications	5,102	2,740	-	7,842
Supplies	8,105	2,705	-	10,810
Professional fees	6,002	2,044	-	8,046
Other	6,325	4,779	-	11,104
Depreciation	3,917	1,427	289	5,633
Amortization of intangible assets	42,891	18,752	-	61,643
	399,646	165,962	289	565,897
Foreign exchange (gain) loss	1,239	(237)	(1,332)	(330)
Equity in net loss of equity investees	-	-	875	875
Finance income	(482)	(76)	(2,971)	(3,529)
Finance costs	383	430	2,110	2,923
Inter-company expenses (income)	14,960	6,066	(21,026)	-
	16,100	6,183	(22,344)	(61)
Profit (loss) before income tax	30,791	11,545	22,055	64,391
Current income tax expense (recovery)	12,835	5,542	(2,290)	16,087
Deferred income tax expense (recovery)	(1,491)	(3,218)	432	(4,277)
Income tax expense (recovery)	11,344	2,324	(1,858)	11,810
Net income	19,447	9,221	23,913	52,581

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

Three months ended September 30, 2011	Public Sector	Private Sector	Other	Consolidated Total
				(Recast - Note 2)
Revenue	$ 149,842	$ 52,411	$ -	$ 202,253
Expenses				
Staff	74,344	28,741	-	103,085
Hardware	16,776	1,947	-	18,723
Third party licenses, 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
Depreciation	1,510	447	-	1,957
Amortization of intangible assets	13,616	5,519	-	19,135
	131,531	47,379	-	178,910
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)	-
	5,132	32	(6,884)	(1,720)
Profit (loss) 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 expense (recovery)	(170)	623	306	759
Income tax expense (recovery)	3,921	2,193	(356)	5,758
Net income	9,258	2,807	7,240	19,305

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

Nine months ended September 30, 2011	Public Sector	Private Sector	Other	Consolidated Total
				(Recast - Note 2)
Revenue	$ 427,032	$ 147,952	$ -	$ 574,984
Expenses				
Staff	215,679	84,012	-	299,691
Hardware	42,064	5,543	-	47,607
Third party licenses, 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
Depreciation	4,713	1,326	-	6,039
Amortization of intangible assets	41,471	14,262	-	55,733
	380,529	134,996	-	515,525
Impairment of non-financial assets	518	-	-	518
Foreign exchange (gain) loss	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)	-
	16,282	5,720	(20,034)	1,968
Profit (loss) 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 expense (recovery)	(57,489)	(36,560)	285	(93,764)
Income tax recovery	(46,238)	(32,918)	(1,132)	(80,288)
Net income	76,459	40,154	21,166	137,779

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, MAXIMUS Inc. ("Maximus") and a subsidiary of Constellation 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 claims 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 pursuant to the contract have entered arbitration proceedings in respect of the customer's remaining claims. The potential liability is undefined with respect to the remainder the claims in arbitration, 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 in arbitration, should there be an unfavourable outcome to the Company. In October 2012, the customer filed a claim in court alleging no contract existed between the customer and the subsidiary of Constellation. As a result, the customer is seeking restitution of a minimum of $12 million. Constellation does not believe the claim is valid and intends to contest it to the full extent possible.

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 million in federal tax and interest and approximately $5 million in provincial tax and interest. In order to appeal the reassessment, the subsidiary paid $8 million in September 2012 representing 50% of the amount owing from the federal reassessment and 100% of the amount owing from the provincial reassessment. 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. The $8 million payment made in September 2012 has been recorded in other non-current assets.

(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 September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
(Increase) decrease in accounts receivable	$ (2,724)	$ (6,470)	$ 264	$ (12,128)
Increase in work in progress	(2,312)	(3,495)	(5,595)	(9,048)
(Increae) decrease in other current assets	(3,689)	2,275	(4,821)	2,832
(Increase) decrease in inventory	(451)	3,194	(1,319)	504
(Increase) decrease in non-current assets	(8,601)	(300)	(8,138)	(1,995)
Change in acquired contract assets and liabilities	(1,944)	(966)	(6,687)	(12,992)
Decrease in other non-current liabilities	(74)	-	(4,851)	(83)
Increase (decrease) in accounts payable and accrued liabilities excluding holdbacks from acquisitions	13,355	15,484	(15,009)	(9,404)
Increase in deferred revenue	10,149	2,789	16,800	11,877
Increase in provisions	783	-	9	-
	$ 4,492	$ 12,511	$ (29,347)	$ (30,437)

18. Subsequent events

On October 31, 2012 the Company declared a $1.00 per share dividend that is payable on January 4, 2013 to all common shareholders of record at close of business on December 17, 2012.

Subsequent to September 30, 2012, the Company acquired the net assets of two entities and acquired 100% of the shares of a third entity for aggregate cash consideration of $3,891 on closing plus cash holdbacks of $398. In addition, there is contingent consideration payable in connection with two 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 the education, real estate, and consumer product licensing markets, and are all software companies similar to existing businesses of the Company. One of the business acquisitions will be included in our Public Sector segment, and two in our Private Sector segment.

19. Comparative Figures

Certain comparative figures included in current assets have been reclassified to conform to the current period's presentation.