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 six month periods ended June 30, 2015, 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. Certain totals, subtotals and percentages may not reconcile due to rounding.

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 as of the date of this MD&A, July 29, 2015. 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 EBITA, Adjusted EBITA margin, Adjusted net income, and Adjusted net income margin.

The term ''Adjusted EBITA'' refers to net income before adjusting for finance and other income, finance costs, income taxes, share in net income or loss of equity investees, impairment of non-financial assets, amortization, TSS membership liability revaluation charge, and foreign exchange gain or loss. The Company believes that Adjusted EBITA 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 intangible asset amortization and the other items listed above. ''Adjusted EBITA margin'' refers to the percentage that Adjusted EBITA for any period represents as a portion of total revenue for that period. Prior to December 2013, the Company had reported "Adjusted EBITDA" in its MD&A. Adjusted EBITDA refers to Adjusted EBITA as defined above then further excludes depreciation. The Company uses depreciation as a proxy for the cash flows used to purchase property and equipment required to support the Company’s main business activities. As such, the Company believes Adjusted EBITA is a more useful measure then Adjusted EBITDA.

‘‘Adjusted net income’’ means net income adjusted for non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, the TSS membership liability revaluation charge, and certain other expenses (income), and excludes the portion of the adjusted net income of Total Specific Solutions (TSS) B.V. (“TSS”) attributable to the minority owners of TSS (see “Capital Resources and Commitments” section). 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, the TSS membership liability revaluation charge, and certain other non-cash expenses (income) incurred or recognized by the Company from time to time, and adjusts for the portion of TSS’ Adjusted net income not attributable to shareholders of Constellation. ‘‘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 EBITA and Adjusted net income are not recognized measures under IFRS and, accordingly, readers are cautioned that Adjusted EBITA 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 EBITA and Adjusted net income may differ from other issuers and, accordingly, Adjusted EBITA and Adjusted net income may not be comparable to similar measures presented by other issuers. See ‘‘Results of Operations —Adjusted EBITA’’ and ‘‘— Adjusted net income’’ for a reconciliation of Adjusted EBITA and Adjusted net income to Net income. Adjusted EBITA includes 100% of the Adjusted EBITA of TSS.

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 flows 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 and integration services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions, 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, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs and other general operating expenses.

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

	Three months ended June 30, 2015	Three months ended June 30, 2014	Period-Over-Period Change $	Period-Over-Period Change %	Six months ended June 30, 2015	Six months ended June 30, 2014	Period-Over-Period Change $	Period-Over-Period Change %
	(Unaudited)				(Unaudited)			
Revenue	**443.5**	**415.9**	**27.6**	**7%**	**866.4**	**810.8**	**55.6**	**7%**
Expenses	344.5	334.8	9.7	3%	674.0	666.8	7.2	1%
Adjusted EBITA	**99.0**	**81.1**	**17.9**	**22%**	**192.4**	**143.9**	**48.5**	**34%**
Adjusted EBITA margin	22%	20%			22%	18%		
Amortization of intangible assets	43.3	44.0	(0.7)	-2%	84.8	86.8	(2.0)	-2%
Foreign exchange (gain) loss	(0.7)	2.2	(2.9)	NM	(2.5)	2.3	(4.8)	NM
TSS membership liability revaluation charge	3.4	-	3.4	NM	9.4	-	9.4	NM
Share in net (income) loss of equity investees	(0.3)	(0.4)	0.2	-40%	(0.9)	(0.5)	(0.4)	76%
Finance and other income	(0.1)	(1.4)	1.3	-96%	(0.3)	(1.9)	1.5	-83%
Finance costs	4.6	3.5	1.1	32%	8.9	6.8	2.1	30%
Income before income taxes	48.7	33.2	15.5	47%	93.0	50.4	42.6	85%
Income taxes expense (recovery)								
Current income tax expense (recovery)	12.6	12.2	0.4	3%	26.5	18.8	7.7	41%
Deferred income tax expense (recovery)	3.5	(1.9)	5.4	NM	1.0	(0.3)	1.2	NM
Income tax expense (recovery)	16.1	10.3	5.8	56%	27.4	18.5	8.9	48%
Net income	**32.7**	**23.0**	**9.7**	**42%**	**65.6**	**31.9**	**33.7**	**106%**
Adjusted net income	**79.7**	**65.0**	**14.7**	**23%**	**154.4**	**118.4**	**36.1**	**30%**
Adjusted net income margin	18%	16%			18%	15%		
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	$ 1.54	$ 1.08	$ 0.46	42%	$ 3.09	$ 1.50	$ 1.59	106%
Adjusted EBITA per share								
Basic and diluted	$ 4.67	$ 3.83	$ 0.84	22%	$ 9.08	$ 6.79	$ 2.29	34%
Adjusted net income per share								
Basic and diluted	$ 3.76	$ 3.07	$ 0.69	23%	$ 7.29	$ 5.58	$ 1.70	30%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ 1.00	$ -	0%	$ 2.00	$ 2.00	$ -	0%

NM - Not meaningful

Comparison of the three and six month periods ended June 30, 2015 and 2014

Revenue:

Total revenue for the quarter ended June 30, 2015 was $443.5 million, an increase of 7%, or $27.6 million, compared to $415.9 million for the comparable period in 2014. For the first six months of 2015 total revenues were $866.4 million, an increase of 7%, or $55.6 million, compared to $810.8 million for the comparable period in 2014. The increase for both the three and six month periods compared to the same periods in the prior year is attributable to growth from acquisitions as the Company experienced negative organic growth of 4% and 3% respectively. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation. For both the three and six month periods ended June 30, 2015, the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 6% reduction in the Company's organic growth rate compared to the comparable periods of 2014.

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Licenses	33.0	30.4	2.7	9%	63.4	56.8	6.5	11%
Professional services	96.4	99.4	(2.9)	-3%	189.1	191.2	(2.0)	-1%
Hardware and other	32.0	35.1	(3.1)	-9%	63.0	68.8	(5.8)	-8%
Maintenance and other recurring	282.1	251.2	30.9	12%	550.9	493.9	57.0	12%
	443.5	415.9	27.6	7%	866.4	810.8	55.6	7%

$M - Millions of dollars

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 six months ended June 30, 2015 compared to the same periods in 2014:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Public Sector								
Licenses	22.2	21.0	1.2	6%	41.4	37.2	4.2	11%
Professional services	78.9	81.5	(2.6)	-3%	153.7	156.7	(3.0)	-2%
Hardware and other	25.6	29.8	(4.2)	-14%	50.9	58.4	(7.5)	-13%
Maintenance and other recurring	181.6	161.4	20.2	13%	353.1	319.2	33.9	11%
	308.3	293.7	14.6	5%	599.2	571.5	27.7	5%
Private Sector								
Licenses	10.9	9.4	1.5	16%	21.9	19.6	2.3	12%
Professional services	17.5	17.8	(0.3)	-2%	35.4	34.5	0.9	3%
Hardware and other	6.4	5.3	1.1	22%	12.1	10.5	1.7	16%
Maintenance and other recurring	100.5	89.8	10.7	12%	197.8	174.8	23.0	13%
	135.3	122.2	13.0	11%	267.2	239.3	27.9	12%

Public Sector

For the quarter ended June 30, 2015, total revenue in the public sector reportable segment increased 5%, or $14.6 million to $308.3 million, compared to $293.7 million for the quarter ended June 30, 2014. For the six months ended June 30, 2015, total revenue increased by 5%, or $27.7 million to $599.2 million, compared to $571.5 million for the comparable period in 2014. Total revenue growth from acquired businesses contributed approximately $30 million to our Q2 2015 revenues and $50 million to our six months ended June 30, 2015 revenues compared to the same periods in 2014, as we completed 18 acquisitions since the beginning of 2014. Organic revenue growth was negative 5% in Q2 2015 and negative 4% for the six months ended June 30, 2015 compared to the same periods in 2014. For the three and six months ended June 30, 2015, the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in approximate 7% and 6% respective reductions in the public sector revenue organic growth rates compared to the comparable periods of 2014.

Private Sector

For the quarter ended June 30, 2015, total revenue in the private sector reportable segment increased 11%, or $13.0 million to $135.3 million, compared to $122.2 million for the quarter ended June 30, 2014. For the six months ended June 30, 2015, total revenue increased by 12%, or $27.9 million to $267.2 million, compared to $239.3 million for the comparable period in 2014. Total revenue growth from acquired businesses contributed approximately $16 million to our Q2 2015 revenues and $33 million to our six months ended June 30, 2015 revenues compared to the same periods in 2014, as we completed 16 acquisitions since the beginning of 2014. Organic revenue growth was negative 2% for both the three and six month periods ended June 30, 2015 compared to the same periods in 2014. For the three and six months ended June 30, 2015, the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in approximate 5% and 4% respective reductions in the private sector revenue organic growth rates compared to the comparable periods of 2014.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Period-Over-Period Change $	Period-Over-Period Change %	Six months ended June 30, 2015	Six months ended June 30, 2014	Period-Over-Period Change $	Period-Over-Period Change %
	($M, except percentages)				($M, except percentages)			
Expenses								
Staff	223.1	224.4	(1.3)	-1%	444.9	450.1	(5.2)	-1%
Hardware	18.4	19.8	(1.3)	-7%	36.2	38.5	(2.3)	-6%
Third party license, maintenance and professional services	38.4	38.2	0.2	1%	77.2	73.5	3.7	5%
Occupancy	10.3	10.2	0.1	1%	20.9	20.2	0.7	3%
Travel	13.8	12.5	1.3	10%	25.6	24.0	1.7	7%
Telecommunications	4.3	4.2	0.2	4%	8.4	8.1	0.3	4%
Supplies	10.4	9.2	1.2	13%	19.9	17.9	2.1	12%
Professional fees	5.9	5.2	0.7	13%	10.7	10.3	0.4	4%
Other, net	15.6	7.1	8.6	121%	21.9	16.2	5.7	35%
Depreciation	4.3	4.1	0.2	4%	8.2	8.2	(0.0)	0%
	344.5	334.8	9.7	3%	674.0	666.8	7.2	1%

Overall expenses for the quarter ended June 30, 2015 increased 3%, or $9.7 million to $344.5 million, compared to $334.8 million during the same period in 2014. As a percentage of total revenue, expenses decreased to 78% for the quarter ended June 30, 2015 from 80% for the same period in 2014. During the six months ended June 30, 2015, expenses increased 1%, or $7.2 million to $674.0 million, compared to $666.8 million during the same period in 2014. As a percentage of total revenue, expenses decreased to 78% for the six months ended June 30, 2015 from 82% for the same period in 2014. Our average employee headcount grew 11% in 2015 from 8,654 for the quarter ended June 30, 2014 to 9,575 for the quarter ended June 30, 2015 primarily due to acquisitions. For the three and six months ended June 30, 2015 the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in approximate 7% and 6% respective reductions in expenses compared to the comparable periods of 2014.

Staff expense – Staff expenses decreased 1% or $1.3 million for the quarter ended June 30, 2015 and 1% or $5.2 million for the six months ended June 30, 2015 over the same periods in 2014. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended June 30, 2015	Three months ended June 30, 2014	Period-Over-Period Change $	Period-Over-Period Change %	Six months ended June 30, 2015	Six months ended June 30, 2014	Period-Over-Period Change $	Period-Over-Period Change %
	($M, except percentages)				($M, except percentages)			
Professional services	53.1	56.1	(2.9)	-5%	106.5	113.9	(7.4)	-6%
Maintenance	42.2	39.5	2.7	7%	84.0	78.8	5.2	7%
Research and development	63.2	63.9	(0.7)	-1%	125.7	127.8	(2.0)	-2%
Sales and marketing	30.3	29.6	0.7	2%	60.9	58.8	2.1	4%
General and administration	34.3	35.3	(1.1)	-3%	67.7	70.8	(3.1)	-4%
	223.1	224.4	(1.3)	-1%	444.9	450.1	(5.2)	-1%

The decline in expenses for both the three and six month periods is primarily due to the appreciation of the US dollar against most major currencies in which the Company transacts business, and the reduction in expenses incurred by Total Specific Solutions (TSS) B.V. ("TSS"). Excluding the approximate 6% overall reduction in the Company's expenses as a result of foreign exchange for both the three and six month periods, staff expenses at TSS for the three and six month periods ended June 30, 2015 decreased by 10% and 14% respectively or approximately $3 million and $9 million respectively compared to the same periods in 2014. Severance of approximately $0.6 and $1.0 million relating to a headcount transformation program at TSS was recorded in the three and six month periods ended June 30, 2015 respectively, versus approximately $1.2 million and $4.0 million during the comparable periods of 2014. Severance of approximately $2 million is forecasted to be expensed for the remainder of 2015.

Hardware expenses – Hardware expenses decreased 7% or $1.3 million for the quarter ended June 30, 2015 and 6% or $2.3 million for the six months ended June 30, 2015 over the same periods in 2014, slightly less than the 9% and 8% decline in hardware and other revenue for the three and six month periods ending June 30, 2015 respectively over the comparable periods in 2014. Hardware margins for the three and six months ended June 30, 2015 were 42% and 43% respectively as compared to 44% for the comparable periods in 2014.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 1% or $0.2 million for the quarter ended June 30, 2015 and 5% or $3.7 million for the six months ended June 30, 2015 over the same periods in 2014. The increase is primarily due to an increase in maintenance and other recurring revenue for the three and six months ended June 30, 2015 compared to the same periods in 2014.

Occupancy expenses – Occupancy expenses increased 1% or $0.1 million for the quarter ended June 30, 2015 and 3% or $0.7 million for the six months ended June 30, 2015 over the same periods in 2014. The increase in occupancy expenses is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications and Supplies expenses – Travel, Telecommunications and Supplies expenses increased 10% or $2.7 million for the quarter ended June 30, 2015 and 8% or $4.1 million for the six months ended June 30, 2015 over the same periods in 2014. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 13% or $0.7 million for the quarter ended June 30, 2015 and 4% or $0.4 million for the six months ended June 30, 2015 over the same periods in 2014. The increase in professional fees for the three and six month periods is primarily the result of various structuring and capital initiatives undertaken at the Company's corporate head office.

Other, net – Other expenses increased 121% or $8.6 million for the quarter ended June 30, 2015 and 35% or $5.7 million for the six months ended June 30, 2015 over the same periods in 2014. The following table provides a further breakdown of expenses within this category.

	Three months ended June 30, 2015	2014	Period-Over-Period Change $	%	Six months ended June 30, 2015	2014	Period-Over-Period Change $	%
	($M, except percentages)				($M, except percentages)			
Advertising and promotion	5.4	5.3	0.1	1%	9.3	10.1	(0.7)	-7%
Recruitment and training	2.4	2.1	0.2	12%	4.5	4.3	0.2	4%
Bad debt expense	0.6	0.5	0.2	NM	0.2	1.6	(1.4)	-88%
R&D tax credits	(2.3)	(3.0)	0.7	-24%	(4.3)	(4.6)	0.3	-6%
Contingent consideration	7.8	0.3	7.5	NM	8.2	0.3	7.9	NM
Other expense, net	1.8	1.9	(0.1)	-5%	4.0	4.6	(0.6)	-13%
	15.6	7.1	8.6	121%	21.9	16.2	5.7	35%

NM - Not meaningful

The primary reason for the increase in other expenses was the contingent consideration expense for the three months ended June 30, 2015. The expense relates to expected earnout payment adjustments associated with two acquisitions made in the public sector, one in Q3 2013 and the other in Q3 2014. The expected earnout payments have increased primarily as a result of an increase to the revenue forecasts for these two acquisitions. Forecasts are updated on a quarterly basis and related earnout payments are updated accordingly.

Depreciation – Depreciation of property and equipment increased 4% or $0.2 million for the quarter ended June 30, 2015 over the same period in 2014. There was no change in the expense for the six months ended June 30, 2015 compared to the same period in 2014.

Other Income and Expenses:

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

	Three months ended June 30, 2015	2014	Period-Over-Period Change $	%	Six months ended June 30, 2015	2014	Period-Over-Period Change $	%
	($M, except percentages)				($M, except percentages)			
Amortization of intangible assets	43.3	44.0	(0.7)	-2%	84.8	86.8	(2.0)	-2%
Foreign exchange (gain) loss	(0.7)	2.2	(2.9)	NM	(2.5)	2.3	(4.8)	NM
TSS membership liability revaluation charge	3.4	-	3.4	NM	9.4	-	9.4	NM
Share in net (income) loss of equity investees	(0.3)	(0.4)	0.2	-40%	(0.9)	(0.5)	(0.4)	76%
Finance and other income	(0.1)	(1.4)	1.3	-96%	(0.3)	(1.9)	1.5	-83%
Finance costs	4.6	3.5	1.1	32%	8.9	6.8	2.1	30%
Income tax expense (recovery)	16.1	10.3	5.8	56%	27.4	18.5	8.9	48%
	66.3	58.2	8.2	14%	126.8	112.1	14.7	13%

NM - Not meaningful

Amortization of intangible assets – Amortization of intangible assets decreased 2% or $0.7 million for the quarter ended June 30, 2015 and 2% or $2.0 million for the six months ended June 30, 2015 over the same periods in 2014. The decrease in amortization expense is attributable to the appreciation of the US dollar against most major currencies in which the Company transacts business.

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 June 30, 2015, we realized a foreign exchange gain of $0.7 million compared to a loss of $2.2 million for the quarter ended June 30, 2014. For the six months ended June 30, 2015 the foreign exchange gain was $2.5 million compared to a foreign exchange loss of $2.3 million for the same period in 2014. Unrealized foreign exchange losses of $1.7 million and $3.8 million were recorded in Q2 2015 relating to the Company's unsecured subordinated floating rate debentures that were issued in Q4 2014 and are denominated in Canadian dollars, and intercompany loans. The $3.8 million foreign exchange loss related to intercompany loans was recorded in other comprehensive income for the period but is not included in net income for the period in accordance with IFRS. The loss relating to the Company's unsecured subordinated floating rate debentures was entirely offset by the counter balancing $3.8 million unrealized foreign exchange gain on these intercompany loans that is included in net income for the period in accordance with IFRS. For the six months ended June 30, 2015 amounts recorded were as follows; unrealized foreign exchange gains relating to the Company's unsecured subordinated floating rate debentures of $4.6 million, unrealized gains on intercompany loans recorded to other comprehensive income of $0.6 million, and the counter balancing unrealized loss on intercompany loans included in net income of $0.6 million.

TSS membership liability revaluation charge – The valuation of the TSS membership liability that was put in place in Q4 2014 increased by approximately 6% or $3.4 million for the quarter ended June 30, 2015 primarily as a result of the growth in TSS maintenance revenue. The valuation for the six months ended June 30, 2015 increased by approximately 21% or $9.4 million primarily as a result of an increase in the net tangible assets of TSS and the growth in maintenance revenue over the six month period. The liability recorded on the balance sheet increased by only 11% or $5.3 million over the six month period as a result of a foreign exchange gain that was recorded through other comprehensive income. The TSS membership liability is denominated in Euros and the Euro declined 9% versus the US dollar during the first six months of 2015.

Share in net (income) loss of equity investees – Share in the net (income) loss of equity investees was income of $0.3 million and income of $0.9 million for the three and six month periods ended June 30, 2015 respectively, compared to income of $0.4 million and income of $0.5 million for the same periods in 2014 in line with the increased profitability of equity investees.

Finance and other income – Finance and other income for the quarter ended June 30, 2015 was $0.1 million compared to $1.4 million for the same period in 2014. During the six months ended June 30, 2015, finance and other income was $0.3 million compared to $1.9 million for the same period in 2014. Gains of $0.3 million and $0.6 million relating to the sale of equity securities available-for-sale were recorded during the three and six month periods ended June 30, 2014 and no similar gains were recorded in 2015. In addition, a $1 million adjustment was made during Q2 2014 relating to the acquired net tangible assets of an acquisition which closed in January 2013. A similar adjustment was not made in 2015.

Finance costs – Finance costs for the quarter ended June 30, 2015 increased $1.1 million to $4.6 million, compared to $3.5 million for the same period in 2014. During the six months ended June 30, 2015, finance costs increased $2.1 million to $8.9 million, from $6.8 million over the same period in 2014. The increase in finance costs primarily relates to interest paid on the Company's unsecured subordinated floating rate debentures that were issued in Q4 2014. This increase was partially offset by reduced interest expense on our credit facilities resulting from decreased average borrowings in the three and six month periods ended June 30, 2015 compared to the same periods in 2014.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis 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 and other credits. For the quarter ended June 30, 2015, income tax expense increased $5.8 million to $16.1 million compared to $10.3 million for the same period in 2014. During the six months ended June 30, 2015, income tax expense increased $8.9 million to $27.4 million compared to $18.5 million for the same period in 2014. Current tax expense as a percentage of adjusted net income before tax for the three and six month periods ended June 30, 2015 was 14% and 15% respectively, versus 16% and 14% for the comparable periods in 2014. This rate, which has historically approximated our cash tax rate, has ranged between 10% and

12% annually from 2011 to 2013. The quarterly rate can sometimes fall outside of the annual range due to out of period adjustments. As a result of the depletion of tax credits available to certain Canadian entities and a proportionately higher level of profitability in the US, the rate has gradually increased and was 16% for the fiscal year ended December 31, 2014. For the three and six months ended June 30, 2015, current tax expense of $2.5 million and $4.6 million respectively was recorded that will not actually result in a cash outlay due to the utilization of R&D tax credits. R&D tax credits in the amount of $10.2 million were utilized to offset taxes payable on taxable income for the fiscal year ended December 31, 2014. Current tax expense however reflects gross taxes before the application of R&D tax credits, as the credits are recorded as a reduction of Other, net expense, as opposed to income tax expense, in the statement of income. (When an R&D tax credit asset is created and recorded on the balance sheet an offsetting credit is recorded to Other, net expense in the statement of income. When the R&D tax credit asset is utilized, the asset is reduced along with the associated tax payable amount on the balance sheet.) The deferred income tax expense increase of $5.4 million and $1.2 million for the three and six months ended June 30, 2015 respectively, relates to various items including changes in recognition of certain deferred income tax assets.

Net Income and Earnings per Share:

Net income for the quarter ended June 30, 2015 was $32.7 million compared to net income of $23.0 million for the same period in 2014. On a per share basis this translated into a net income per diluted share of $1.54 in the quarter ended June 30, 2015 compared to net income per diluted share of $1.08 for the same period in 2014. For the six months ended June 30, 2015, net income was $65.6 million or $3.09 per diluted share compared to $31.9 million or $1.50 per diluted share for the same period in 2014.

There were no changes in the number of shares outstanding.

Adjusted EBITA:

For the quarter ended June 30, 2015, Adjusted EBITA increased to $99.0 million compared to $81.1 million for the same period in 2014 representing an increase of 22%. Adjusted EBITA margin was 22% for the quarter ended June 30, 2015 and 20% for the same period in 2014. For the first six months of 2015, Adjusted EBITA increased to $192.4 million compared to $143.9 million during the same period in 2014, representing an increase of 34%. Adjusted EBITA margin was 22% in the first six months of 2015 and 18% for the same period in 2014. See “Non-IFRS Measures” for a description of Adjusted EBITA and Adjusted EBITA margin.

The following table reconciles Adjusted EBITA to net income:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	($M, except percentages)		($M, except percentages)	
Total revenue	443.5	415.9	866.4	810.8
Net income	32.7	23.0	65.6	31.9
Adjusted for:				
Income tax expense (recovery)	16.1	10.3	27.4	18.5
Foreign exchange (gain) loss	(0.7)	2.2	(2.5)	2.3
TSS membership liability revaluation charge	3.4	-	9.4	-
Share in net (income) loss of equity investees	(0.3)	(0.4)	(0.9)	(0.5)
Finance and other income	(0.1)	(1.4)	(0.3)	(1.9)
Finance costs	4.6	3.5	8.9	6.8
Amortization of intangible assets	43.3	44.0	84.8	86.8
Adjusted EBITA	99.0	81.1	192.4	143.9
Adjusted EBITA margin	22%	20%	22%	18%

Adjusted net income:

For the quarter ended June 30, 2015, Adjusted net income increased to $79.7 million from $65.0 million for the same period in 2014, representing an increase of 23%. Adjusted net income margin was 18% for the quarter ended June 30, 2015 and 16% for the same period in 2014. For the first six months of 2015, Adjusted net income increased to $154.4 million from $118.4 million during the same period in 2014, representing an increase of 30%. Adjusted net income margin was 18% in the first six months of 2015 and 15% for the same period in 2014. See "Non-IFRS Measures" for a description of Adjusted net income and Adjusted net income margin.

Non-controlling interest in the Adjusted net income of TSS - As explained in the "Capital Resources and Commitments" section below, in Q4 2014 33.29% of the voting interests in TSS were sold, however no adjustment has been made in the Company's Unaudited Condensed Consolidated Interim Financial Statements to reflect the 33.29% of earnings that are not attributable to Constellation shareholders. Instead, due to an option available to the minority owners to exercise a put option to sell all or a portion of their interests back to Constellation, the minority interest is accounted for as a liability on the Company's balance sheet. The liability is revalued at each period end in accordance with an agreed upon valuation methodology with the change being included in net income. The non-controlling interest in the Adjusted net income of TSS for the three and six months ended June 30, 2015 was $3.1 million and $6.3 million respectively, as compared to nil for the same periods in 2014.

The following table reconciles Adjusted net income to Net income:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	($M, except percentages)		($M, except percentages)	
Total revenue	443.5	415.9	866.4	810.8
Net income	32.7	23.0	65.6	31.9
Adjusted for:				
Amortization of intangible assets	43.3	44.0	84.8	86.8
TSS membership liability revaluation charge	3.4	-	9.4	-
Less non-controlling interest in the Adjusted net income of TSS	(3.1)	-	(6.3)	-
Deferred income tax expense (recovery)	3.5	(1.9)	1.0	(0.3)
Adjusted net income	79.7	65.0	154.4	118.4
Adjusted net income margin	18%	16%	18%	15%

Quarterly Results

	Quarter Ended								
	Jun. 30 2013	Sep. 30 2013	Dec. 31 2013	Mar. 31 2014	Jun. 30 2014	Sep. 30 2014	Dec. 31 2014	Mar. 31 2015	Jun. 30 2015
	($M, except per share amounts)								
Revenue	298.2	315.9	340.3	394.8	415.9	418.8	439.8	422.9	443.5
Net income	19.2	22.2	42.5	8.9	23.0	31.9	39.3	32.9	32.7
Adjusted net income	50.1	54.1	69.2	53.3	65.0	69.3	86.6	74.7	79.7
Net income per share									
Basic & diluted	0.91	1.05	2.00	0.42	1.08	1.51	1.86	1.55	1.54
Adjusted net income per share									
Basic & diluted	2.36	2.55	3.26	2.52	3.07	3.27	4.09	3.52	3.76

We experience seasonality in our operating results in that Adjusted net income margins in the first quarter of every year are typically lower than margins achieved in the second, third and fourth quarters. The key drivers for the lower margins are increased payroll tax costs associated with our annual bonus payments that are made in the month of March, and the fact that historically there has been a consistent focus at year end to complete sales implementation projects which generally translates into increased professional services revenue in the fourth quarter and decreased professional services revenue in the first quarter. Our quarterly results may also 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 expenses or gains, which may include changes in provisions, acquired contract liabilities, bargain purchase gains and gains or losses on the sale of financial and other assets.

Liquidity

Our net borrowings (bank indebtedness excluding capitalized transaction costs less cash) increased by $20.8 million to $166.1 million in the quarter ended June 30, 2015 resulting from capital deployed on acquisitions, dividends paid, and interest paid exceeding cash flows from operations. The amount drawn on our credit facilities increased by $82.1 million to $298.1 million at June 30, 2015 from $216.0 million at the end of 2014, and cash increased by $61.3 million to $132.0 million at June 30, 2015 compared to $70.7 million at December 31, 2014.

Total assets increased $143.4 million, from $1,433.1 million at December 31, 2014 to $1,576.4 million at June 30, 2015. The increase is primarily due to an increase in cash of $61.3 million, and an increase in intangible assets of $56.0 primarily arising from acquisitions made in 2015. At June 30, 2015 TSS held a cash balance of $64.3 million. As explained in the "Capital Resources and Commitments" section below, there are limitations on TSS' ability to distribute funds to Constellation.

Current liabilities increased $148.9 million, from $758.8 million at December 31, 2014 to $907.7 million at June 30, 2015. The increase is primarily due to an increase in short term borrowings on our credit facilities of $93.9 million and an increase in deferred revenue of $89.4 million mainly due to acquisitions and the timing of maintenance and other billings versus performance and delivery under those customer arrangements, offset by a $24.0 million decrease in accounts payable and accrued liabilities.

Net Changes in Cash Flows
(in $M's)

	Six months ended June 30, 2015	Six months ended June 30, 2014
Net cash provided by operating activities	176.8	143.6
Net cash from (used in) financing activities	39.6	(82.3)
Net cash from (used in) acquisition activities	(145.3)	(29.9)
Net cash from (used in) other investing activities	(5.5)	(7.9)
Net cash from (used in) investing activities	(150.8)	(37.8)
Effect of foreign currency	(4.3)	(0.1)
Net increase (decrease) in cash and cash equivalents	**61.3**	**23.3**

The net cash flows from operating activities were $176.8 million for the six months ended June 30, 2015. The $176.8 million provided by operating activities resulted from $65.6 million in net income plus $135.0 million of non-cash adjustments to net income and $8.5 million of cash provided from our non-cash operating working capital offset by $32.2 million in taxes paid.

The net cash flows from financing activities in the six months ended June 30, 2015 were $39.6 million, which is mainly a result of an increase in bank indebtedness of $89.4 million offset by dividends paid and interest paid on bank indebtedness and the Company's unsecured subordinated floating rate debentures in the period of $42.4 million and $7.4 million respectively.

The net cash flows used in investing activities in the six months ended June 30, 2015 were $150.8 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $145.3 million (including payments for holdbacks relating to prior acquisitions).

We believe we have sufficient cash and available credit capacity 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 potential acquisitions.

Capital Resources and Commitments

Bank Indebtedness

On March 13, 2012, we entered into a new revolving credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300 million. The revolving credit facility 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. The credit facility is collateralized by substantially all of our assets including the assets of the majority of our material subsidiaries. The credit facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. 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 until 2016. As at June 30, 2015, we had drawn $155.0 million on this facility, and letters of credit totalling $13.8 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis. 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 June 30, 2015, the carrying amount of such costs totalling $0.3 million has been classified as part of bank indebtedness in the statement of financial position.

On December 6, 2013, we amended our credit facility to facilitate the acquisition of TSS. A new one year $350 million term facility was added solely for the purposes of funding the TSS acquisition and related expenses (the "TSS Acquisition Facility"). The TSS Acquisition Facility was non-amortizing and had an interest rate calculated at US prime or LIBOR plus interest rate spreads based on a leverage table consistent with the spreads applicable to Constellation's credit facility. On December 31, 2014, the TSS Acquisition Facility expired and the outstanding balance was repaid.

On June 24, 2014 Constellation Software Netherlands Holding Cooperatief U.A. ("CNH"), a subsidiary of Constellation and the indirect owner of 100% of TSS, entered into a €150 million (approximately $190 million) term and €10 million (approximately $13 million) multicurrency revolving credit facility (the "CNH Facility") with a number of European and North American financial institutions. The CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The CNH Facility is collateralized by substantially all of the assets owned by CNH and its subsidiaries which includes substantially all of the assets of TSS and its subsidiaries. The CNH Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. On June 24, 2014, €130 million (approximately $165 million) was drawn on the term component of the CNH Facility and used to repay a portion of the TSS Acquisition Facility. As at June 30, 2015 €129 million (approximately $143 million) remains outstanding on the term component of the CNH Facility. €29 million must be repaid in instalments between now and June 24, 2020, and €100 million is non-amortizing and due on June 24, 2021. The remaining €20 million term component of the CNH Facility remains undrawn. If drawn, principal must be repaid in five equal instalments starting on June 24, 2018. As at June 30, 2015 no amounts had been drawn on the €10 million multicurrency revolving component of the CNH Facility. The revolving component of the CNH Facility is available for acquisitions, working capital needs, and other general corporate purposes until June 24, 2020. Transaction costs associated with the CNH 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 June 30, 2015, the carrying amount of such costs relating to this facility totalling $5.0 million (€4.5 million) has been classified as part of non-current bank indebtedness in the statement of financial position.

The CNH Facility and Constellation's other credit facilities are independent of each other. The CNH Facility is not guaranteed by Constellation or its subsidiaries nor is Constellation or any subsidiary subject to the terms of the CNH Facility other than, in each case, CNH and its subsidiaries. Similarly, CNH and its subsidiaries did not guarantee Constellation's other credit facilities and are not subject to the provisions thereof. Constellation's credit facilities impose limitations on the aggregate amount of investment that Constellation may make in CNH and its subsidiaries and the financial results of CNH and its subsidiaries are not included for the purposes of determining compliance by Constellation with the financial covenants in Constellation's other credit facilities. The CNH Facility imposes limitations on the amount of distributions that CNH and its subsidiaries may make to Constellation.

Debentures

On October 1, 2014 and November 19, 2014, the Company issued unsecured subordinated debentures (the "Debentures") with a total principal value of C$96.0 million for total proceeds of C$91.2 million. The proceeds were used by the Company to pay down $81.2 million of the TSS Acquisition Facility. The Debentures have a maturity date of June 30, 2040.

On May 6, 2015, the Company issued rights to shareholders of the Company to purchase up to an additional C$200 million aggregate principal amount of Debentures. The Debentures are expected to be issued on September 30, 2015 and will be issued as an additional tranche of, and will form a single series with, the outstanding C$96.0 million aggregate principal amount of Debentures, Series 1 of the Company. There is no minimum principal amount of Debentures that must be issuable upon the exercise of rights.

TSS Membership Liability

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the TSS acquisition, and on the basis of the term sheets attached thereto, Constellation and the sellers of TSS along with members of TSS' executive management team (collectively, the "minority owners") entered into a Members Agreement pursuant to which the minority owners acquired 33.29% of the voting interests in CNH. Proceeds from this transaction in the amount of €39.4 million ($48.5 million) were utilized to repay, in part, the TSS Acquisition Facility. In accordance with IFRS, 100% of the financial results for TSS are included in the consolidated financial results of the Company.

Each of the minority owners may, at any time, exercise a put option to sell all or a portion of their interests in CNH back to Constellation for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Accordingly, the Company classified the proceeds from the Membership Agreement as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of CNH. Upon the exercise of a put option, Constellation would be obligated to redeem up to 33.33% of the minority owners' interests put, no later than 30 business days from the date notice is received (classified as a current liability), and up to 33.33% on each of the first and second anniversary of the date the first redemption payment is made.

The seller of TSS also has an option available to it to sell approximately 68% of its interests in CNH, for an amount calculated in accordance with a valuation methodology described within the Members Agreement, in the event that Robin Van Poelje, TSS' CEO, is no longer employed by TSS. The approximately 32% remaining interest can be sold via the put option described above.

In the event of a change of control in Constellation, the minority owners would have the option to sell 100% of their interests in CNH for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Constellation would be obligated to remit payment in respect thereof no later than 30 business days from the date notice is given.

Commencing at any time after December 31, 2023, Constellation may exercise a call option to purchase all of the minority owners' interests in CNH, for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Upon exercise of the call option, the full purchase price will be paid within 30 business days of the notice date, following which the minority owners' membership in the Coop will be terminated. There is a valuation premium if the call option is exercised versus the put option.

If any of TSS' executive management team that participate in the Members Agreement are terminated for urgent cause as defined in Section 7:678 of the Dutch Civil Code, Constellation shall have the right to purchase all of the interests beneficially owned by the terminated executive for an amount calculated in accordance with the valuation methodology described within the Members Agreement. The full purchase price will be paid within 30 business days from the date notice is given, following which the terminated executive's membership in the Coop will be terminated. An option does exist for the terminated executive to elect to be paid in annual installments of 33.33% of his interests in CNH over a 3 year period. The valuation of the interests being purchased will be calculated at each annual payment date.

Other commitments

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 that would have a significant effect on our assets and liabilities as at June 30, 2015.

The TSS membership liability commitment assumes that the minority owners have exercised their put option to sell 100% of their interests back to Constellation. This option however has not been exercised as at July 29, 2015. See the "Critical Accounting Estimate" section of the Company's 2014 Annual Consolidated Financial Statements for a discussion on the valuation methodology utilized.

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 will impact future revenue and net earnings. Our analysis related to the change in average exchange rates from 2014 to 2015 suggests that the impact to EBITA margins for the three and six month periods ended June 30, 2015 was less than 1%. The impact to organic revenue growth for both the three and six months ended June 30, 2015 was approximately negative 6%. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, revenues, 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. In entering into these forward exchange contracts, the Company is exposed to the credit risk of the counterparties to such contracts and the possibility that the counterparties will default on their payment obligations under these contracts. However, given that the counterparties are Schedule 1 banks or affiliates thereof, the Company believes these risks are not material. During the quarter ended June 30, 2015, the Company did not purchase any contracts of this nature.

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 six month periods ended June 30, 2015:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	59%	49%	59%	49%
CAD	8%	16%	8%	15%
GBP	9%	9%	9%	10%
EURO	17%	16%	18%	17%
CHF	1%	3%	1%	3%
Others	6%	7%	6%	7%
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 quarter ended June 30, 2015, and have not been applied in preparing our consolidated financial statements. The relevant standards are listed below.

IFRS 9 Financial Instruments

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management.

The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Share Capital

As at July 29, 2015, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors, including those set forth below and also those included in our 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 is challenging the reassessment. In February 2013 the Company filed an appeal with the Tax Court of Canada. 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 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 expense could be adversely affected. The $8 million payment made in September 2012 has been recorded in other non-current assets, representative of the deposit on account.

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 June 30, 2015, 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:

The President and Chief Financial Officer have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that 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. The President and Chief Financial Officer have been advised that 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 period ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.