CONSTELLATION SOFTWARE INC.

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

The following discussion and analysis should be read in conjunction with the Annual Consolidated Financial Statements for the year ended December 31, 2012, 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, including those under "Outlook" below, 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, March 6, 2013. 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 "Outlook" and "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 income or loss of equity investees, impairment of non-financial assets, depreciation, amortization, and foreign exchange gain or loss. 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 or recognized 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, readers 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 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 thousands of dollars, except percentages and per share amounts)
Unaudited

	Three months ended December 31, 2012	Three months ended December 31, 2011	Period-Over-Period Change $	Period-Over-Period Change %	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2011	Period-Over-Period Change $	Period-Over-Period Change %	Fiscal year ended December 31, 2010
Revenue	**260,999**	**198,357**	**62,642**	**32%**	**891,226**	**773,341**	**117,885**	**15%**	**633,965**
Expenses	206,654	150,910	55,744	37%	705,275	604,663	100,612	17%	517,547
Adjusted EBITDA	**54,345**	**47,447**	**6,898**	**15%**	**185,951**	**168,678**	**17,273**	**10%**	**116,418**
Depreciation	2,010	1,829	181	10%	7,643	7,868	(225)	-3%	6,756
Amortization of intangible assets	23,499	20,917	2,582	12%	85,142	76,650	8,492	11%	67,926
Impairment of non-financial assets	-	(29)	29	-100%	-	489	(489)	-100%	-
Bargain purchase gain	-	-	-	NM	-	-	-	NM	(1,745)
Foreign exchange (gain) loss	1,152	364	788	216%	822	3,392	(2,570)	-76%	4,526
Equity in net (income) loss of equity investees	(36)	-	(36)	NM	839	-	839	NM	-
Finance income	(19,649)	(1,100)	(18,549)	NM	(23,178)	(7,267)	(15,911)	219%	(1,241)
Finance costs	1,078	986	92	9%	4,001	5,575	(1,574)	-28%	5,783
Profit before income taxes	46,291	24,480	21,811	89%	110,682	81,971	28,711	35%	34,413
Income taxes expense (recovery)									
Current income tax expense	7,539	5,139	2,400	47%	23,626	18,615	5,011	27%	16,961
Deferred income tax (recovery) expense	(1,299)	(54)	(1,245)	NM	(5,576)	(93,818)	88,242	-94%	(12,564)
Income tax expense (recovery)	6,240	5,085	1,155	23%	18,050	(75,203)	93,253	-124%	4,397
Net income	**40,051**	**19,395**	**20,656**	**107%**	**92,632**	**157,174**	**(64,542)**	**-41%**	**30,016**
Adjusted net income	**62,251**	**40,229**	**22,022**	**55%**	**172,198**	**140,495**	**31,703**	**23%**	**83,633**
Weighted average number of shares outstanding (000's)									
Basic and diluted	21,192	21,192			21,192	21,192			21,192
Net income per share									
Basic and diluted	$ 1.89	$ 0.92	$ 0.97	107%	$ 4.37	$ 7.42	$ (3.05)	-41%	$ 1.42
Adjusted EBITDA per share									
Basic and diluted	$ 2.56	$ 2.24	$ 0.33	15%	$ 8.77	$ 7.96	$ 0.82	10%	$ 5.49
Adjusted net income per share									
Basic and diluted	$ 2.94	$ 1.90	$ 1.04	55%	$ 8.13	$ 6.63	$ 1.50	23%	$ 3.95
Cash dividends declared per share									
Basic and diluted	$ 1.00	$ -	$ 1.00		$ 4.00	$ 2.00	$ 2.00	100%	$ 0.26
Total assets					812,679	630,575	182,104	29%	535,919
Total long-term liabilities					81,334	53,459	27,875	52%	62,392

NM - Not meaningful

Comparison of the three and twelve months ended December 31, 2012 and 2011

Revenue:

Total revenue for the quarter ended December 31, 2012 was $261 million, an increase of 32%, or $63 million, compared to $198 million for the comparable period in 2011. For the 2012 fiscal year, total revenues were $891 million, an increase of 15%, or $118 million, compared to $773 million in fiscal 2011. The increase for the quarter ended December 31, 2012 relative to the same period in the prior year is largely attributed to growth from acquisitions as organic growth was 8%. The increase for the 2012 fiscal year is mainly attributed to growth from acquisitions as organic growth was 1% compared to fiscal year 2011. 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 acquired contract assets or liabilities and recognized as revenues and expenses over the term to completion of the contract. As a result, the revenue and direct 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 7% in Q4 2012 and 2% for the year ended 2012.

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

Organic Revenue Growth

	Three months ended December 31, 2012	Fiscal year ended December 31, 2012
Constellation	8%	1%
Constellation excluding PTS	7%	2%

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

Software license revenue for the quarter ended December 31, 2012 increased by 34%, or $6 million to $23 million, from $17 million compared to the same period in 2011. During the year ended December 31, 2012, software license revenue increased by 15%, or $9 million to $72 million, from $63 million compared to 2011. Professional services revenue for the quarter ended December 31, 2012 increased by 27%, or $13 million to $59 million, from $46 million compared to the same period in 2011. During the year ended December 31, 2012, professional services revenue increased by 9%, or $16 million to $197 million from $181 million in 2011. Hardware and other revenue for the quarter ended December 31, 2012 increased by 48%, or $12 million to $38 million, from $26 million in 2011. During the year ended December 31, 2012, Hardware and other revenue increased by 2%, or $2 million to $111 million, from $109 million in 2011. Maintenance and other recurring revenues for the quarter ended December 31, 2012 increased by 29%, or $32 million to $142 million, from $110 million in the same period in 2011. During the year ended December 31, 2012, Maintenance and other recurring revenues increased by 21%, or $90 million to $510 million, from $420 million in 2011. The following tables display the breakdown of our revenue according to revenue type:

	Three months ended December 31, 2012	Three months ended December 31, 2011	Period-Over-Period Change $	Period-Over-Period Change %	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2011	Period-Over-Period Change $	Period-Over-Period Change %
	($000, except percentages)				($000, except percentages)			
Licenses	22,683	16,943	5,740	34%	72,407	63,107	9,300	15%
Professional services	58,594	46,037	12,557	27%	197,150	181,166	15,984	9%
Hardware and other	37,944	25,558	12,386	48%	111,359	108,716	2,643	2%
Maintenance and other recurring	141,778	109,819	31,959	29%	510,310	420,352	89,958	21%
	260,999	198,357	62,642	32%	891,226	773,341	117,885	15%

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 tables display our revenue by reportable segment and the percentage change for the three and twelve months ended December 31, 2012 compared to the same periods in 2011:

	Three months ended December 31, 2012	Three months ended December 31, 2011	Period-Over-Period Change $	Period-Over-Period Change %	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2011	Period-Over-Period Change $	Period-Over-Period Change %
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	15,541	11,511	4,030	35%	48,851	43,748	5,103	12%
Professional services	47,335	37,081	10,254	28%	154,815	146,281	8,534	6%
Hardware and other	34,348	22,822	11,526	51%	97,800	97,133	667	1%
Maintenance and other recurring	92,230	73,205	19,025	26%	334,525	284,489	50,036	18%
	189,454	144,619	44,835	31%	635,991	571,651	64,340	11%
Private Sector								
Licenses	7,142	5,432	1,710	31%	23,556	19,359	4,197	22%
Professional services	11,259	8,956	2,303	26%	42,335	34,885	7,450	21%
Hardware and other	3,596	2,736	860	31%	13,559	11,583	1,976	17%
Maintenance and other recurring	49,548	36,614	12,934	35%	175,785	135,863	39,922	29%
	71,545	53,738	17,807	33%	255,235	201,690	53,545	27%

Public Sector

For the quarter ended December 31, 2012, total revenue in the public sector reportable segment increased by 31%, or $44 million to $189 million, compared to $145 million for the quarter ended December 31, 2011. For the year ended December 31, 2012, total revenue increased by 11%, or $64 million to $636 million, compared to $572 million in 2011. Revenue growth from acquired businesses contributed approximately $34 million to our Q4 2012 revenues and $67 million to our year ended December 31, 2012 revenues compared to the same periods in 2011. We have completed 28 acquisitions since the beginning of 2011, 10 of which were acquired in fiscal year 2011. Organic revenues increased by 7% in Q4 2012 and were unchanged in the year ended December 31, 2012 compared to the same periods in 2011. Excluding PTS, organic revenues increased 7% in Q4 2012 and 1% in the year ended December 31, 2012 respectively, compared to the same periods in 2011.

Organic Revenue Growth

	Three months ended December 31, 2012	Twelve months ended December 31, 2012
Public Sector	7%	0%
Public Sector excluding PTS	7%	1%

The organic revenue change in Q4 2012 was primarily driven by strong revenue from existing clients and new customers in our utility, local-government, transit, and asset management verticals.

Private Sector

For the quarter ended December 31, 2012, total revenue in the private sector reportable segment increased 33%, or $18 million to $72 million, compared to $54 million for the quarter ended December 31, 2011. For the year ended December 31, 2012 total revenue increased by 27%, or $53 million to $255 million, compared to $202 million for the comparable period in 2011. Revenue growth from acquired businesses contributed approximately $14 million to our Q4 2012 revenues and $42 million to our year ended December 31, 2012 revenues compared to the same periods in 2011. We have completed 29 acquisitions since the beginning of 2011, 12 of which were acquired in fiscal year 2011. Revenues increased organically by 8% in Q4 2012 and by 6% for the year ended December 31, 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 pulp and paper, fitness, and food service verticals.

Expenses:

The following tables display the breakdown of our expenses:

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
	($000, except percentages)				($000, except percentages)			
Expenses								
Staff	130,160	101,688	28,472	28%	469,677	401,379	68,298	17%
Hardware	23,960	13,247	10,713	81%	61,446	60,854	592	1%
Third party license, maintenance and professional services	17,374	13,134	4,240	32%	61,469	51,066	10,403	20%
Occupancy	5,909	4,667	1,242	27%	21,023	18,918	2,105	11%
Travel	11,360	9,359	2,001	21%	35,967	30,038	5,929	20%
Telecommunications	3,154	2,557	597	23%	10,996	9,992	1,004	10%
Supplies	4,498	3,567	931	26%	15,308	15,314	(6)	0%
Professional fees	6,985	1,835	5,150	281%	15,031	8,623	6,408	74%
Other	3,254	856	2,398	280%	14,358	8,479	5,879	69%
	206,654	150,910	55,744	37%	705,275	604,663	100,612	17%

Overall expenses for the quarter ended December 31, 2012 increased 37%, or $56 million to $207 million, compared to $151 million during the same period in 2011. As a percentage of total revenue, expenses increased to 79% in the quarter ended December 31, 2012 compared to 76% in the quarter ended December 31, 2011. The increase in expenses as a percentage of total revenue is primarily attributed to the increase in hardware associated with an acquisition completed in the quarter ended December 31, 2012, and legal and tax advisory fees, which are discussed under Professional fees below. During the year ended December 31, 2012, expenses increased 17%, or $100 million to $705 million, compared to $605 million during the same period in 2011. As a percentage of total revenue, overall expenses increased to 79% in the year ended December 31, 2012 compared to 78% in the year ended December 31, 2011. The growth in expenses for the three and twelve month periods in 2012, excluding hardware, is primarily due to the growth in the number of employees. Our average employee headcount grew 22% from 3,739 in the year ended December 31, 2011 to 4,576 in the year ended December 31, 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 December 31, 2012	2011	Period-Over-Period Change $	%	Fiscal year ended December 31, 2012	2011	Period-Over-Period Change $	%
	($000, except percentages)				($000, except percentages)			
Professional services	28,585	24,596	3,989	16%	105,507	100,651	4,856	5%
Maintenance	25,982	19,535	6,447	33%	94,148	76,683	17,465	23%
Research and development	34,833	27,026	7,807	29%	125,994	103,600	22,394	22%
Sales and marketing	18,710	14,384	4,326	30%	65,346	54,817	10,529	19%
General and administration	22,050	16,147	5,903	37%	78,682	65,628	13,054	20%
	130,160	101,688	28,472	28%	469,677	401,379	68,298	17%

Professional services – Staff expenses related to our Professional services operating departments increased 16%, or $4 million to $29 million, compared to $25 million for the quarter ended December 31, 2012. During the year ended December 31, 2012 staff expenses related to our Professional services operating departments increased 5%, or $5 million to $106 million, compared to $101 million in the same period in 2011. The increase in staff expenses related to our Professional services operating departments 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 departments increased 33%, or $6 million to $26 million, for the quarter ended December 31, 2012 compared to $20 million for the same period in 2011. During the year ended December 31, 2012 staff expenses related to our Maintenance operating departments increased 23%, or $17 million to $94 million, compared to $77 million in the same period in 2011. The increase in staff expenses related to our Maintenance operating departments 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 departments increased 29%, or $8 million to $35 million for the quarter ended December 31, 2012 from $27 million for the same period in 2011. During the year ended December 31, 2012 staff expenses related to our Research and development operating departments increased 22%, or $22 million to $126 million, compared to $104 million in the same period in 2011. The increase in staff expenses related to our Research and development operating departments 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 departments increased 30%, or $5 million to $19 million for the quarter ended December 31, 2012 compared to $14 million for the same period in 2011. During the year ended December 31, 2012 staff expenses related to our Sales and marketing operating departments increased 19%, or $10 million to $65 million, compared to $55 million in the same period in 2011. The increase in staff expenses related to our Sales and marketing operating departments 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 departments increased 47%, or $6 million to $22 million for the quarter ended December 31, 2012 from $16 million for the same period in 2011. During the year ended December 31, 2012 staff expenses related to our General and administrative operating departments increased 20%, or $13 million to $79 million, compared to $66 million over the same period in 2011. The increase in staff expenses related to our General and administration operating departments was primarily due to the growth in the number of employees compared to the same periods in 2011 and due to an increase in General and Administration bonus expense in Q4 2012 compared to the same period in the prior year.

Hardware expenses – Hardware expenses for the quarter ended December 31, 2012 increased 81%, or $11 million to $24 million, compared to $13 million for the quarter ended December 31, 2011. During the year ended December 31, 2012 Hardware expenses remained unchanged at $61 million compared to the same period in 2011. The increase in Hardware expenses in the fourth quarter is attributable to an acquisition made in the Public Sector which had significant hardware and other revenue.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses for the quarter ended December 31, 2012 increased 32%, or $4 million to $17 million, compared to $13 million for the quarter ended December 31, 2011. During the year ended December 31, 2012 Third party license, maintenance and professional services expense increased 20%, or $10 million to $61 million, from $51 million over the same period in 2011. The increase is primarily due to an increase in license and maintenance revenue for the three and twelve months ended December 31, 2012 compared to the same periods in 2011.

Travel expenses – Travel expenses for the quarter ended December 31, 2012 increased 21%, or $2 million to $11 million, compared to $9 million for the quarter ended December 31, 2011. During the year ended December 31, 2012 Travel expenses increased 20%, or $6 million to $36 million, from $30 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 December 31, 2012 increased $5 million to $7 million, compared to $2 million for the quarter ended December 31, 2011. During the year ended December 31, 2012 Professional fees increased $6 million to $15 million, from $9 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 December 31, 2012 increased $2 million to $3 million, compared to $1 million for the quarter ended December 31, 2011. During the year ended December 31, 2012, Other expenses increased $6 million to $14 million, from $8 million over the same period in 2011. The increase for both the quarter and the year ended December 31, 2012 is primarily due to an increase in marketing related expenses, recruitment expenses, bad debt expense, and a reduction in tax credits recorded in respect of Canadian based research and development activities.

Other Income and Expenses:

The following tables display the breakdown of our other (income) and expenses:

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
	($000, except percentages)				($000, except percentages)			
Depreciation	2,010	1,829	181	10%	7,643	7,868	(225)	-3%
Amortization of intangible assets	23,499	20,917	2,582	12%	85,142	76,650	8,492	11%
Impairment of non-financial assets	-	(29)	29	-100%	-	489	(489)	-100%
Foreign exchange (gain) loss	1,152	364	788	216%	822	3,392	(2,570)	-76%
Equity in net (income) loss of equity investees	(36)	-	(36)	NM	839	-	839	NM
Finance income	(19,649)	(1,100)	(18,549)	NM	(23,178)	(7,267)	(15,911)	219%
Finance costs	1,078	986	92	9%	4,001	5,575	(1,574)	-28%
Income tax expense (recovery)	6,240	5,085	1,155	23%	18,050	(75,203)	93,253	NM
	14,294	28,052	(13,758)	-49%	93,319	11,504	81,815	711%

NM - Not meaningful

Depreciation – Depreciation of property and equipment remained unchanged at $2 million in the quarter ended December 31, 2012 compared to the same period in 2011. During the year ended December 31, 2012, depreciation of property and equipment remained unchanged at $8 million compared to the same period in 2011.

Amortization of intangible assets – Amortization of intangible assets for the quarter ended December 31, 2012 increased by 12%, or $2 million to $23 million, compared to $21 million for the quarter ended December 31, 2011. During the year ended December 31, 2012, Amortization of intangible assets increased 11%, or $8 million to $85 million, from $77 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 December 31, 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 December 31, 2012, our foreign exchange loss increased to $1 million compared to $0.5 million for the quarter ended December 31, 2011. For the year ended December 31, 2012 the foreign exchange loss decreased by $2 million to $1 million, compared to $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, or unrealized, losses on certain non-USD liabilities.

Equity in net (income) loss of equity investees – Equity in net (income) loss of equity investees was nil for both the quarter ended December 31, 2012 and the quarter ended December 31, 2011. For the year ended December 31, 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 $1 million loss for the year ended December 31, 2012 resulted primarily from our share of a goodwill impairment charge recorded by the equity investee.

Finance income – Finance income for the quarter ended December 31, 2012 increased $19 million to $20 million, compared to $1 million for the quarter ended December 31, 2011. During the year ended December 31, 2012, Finance income increased $16 million to $23 million, from $7 million over the same period in 2011. The increase in finance income for the three months and year ended December 31, 2012 is due to the gains on sales of available-for-sale financial assets.

Finance costs – Finance costs for the quarter ended December 31, 2012 remained unchanged at $1 million compared to the quarter ended December 31, 2011. During the year ended December 31, 2012, Finance costs decreased 28%, or $2 million to $4 million, from $6 million in the same period in 2011. The decrease in finance costs for the year ended December 31, 2012 is primarily due to less interest expense on our revolving line of credit resulting from decreased average borrowings in 2012 compared to 2011 and due to a lower cost of borrowing resulting from the implementation of a new credit facility in Q1 2012.

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. For the quarter ended December 31, 2012, income tax expense increased by 23%, or $1 million to $6 million, compared to $5 million for the same period in 2011. For the year ended December 31, 2012, income tax expense was $18 million compared to income tax recovery of $75 million in 2011. The decrease in income tax recovery for the year ended December 31, 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 percentage of net income before income taxes was 16% for the quarter ended December 31, 2012 compared to 21% for the same period in 2011. Excluding deferred income tax recovery, income tax expense as a percentage of net income before income taxes was 21% for the year ended December 31, 2012 compared to 23% for the same period in 2011.

Net Income:

Net income for the quarter ended December 31, 2012 was $40 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 $1.89 in the quarter ended December 31, 2012 compared to net income per diluted share of $0.92 in the quarter ended December 31, 2011. For the fiscal year 2012, net income was $93 million or $4.37 per diluted share compared to $157 million or $7.42 per diluted share in fiscal year 2011. Excluding the deferred income tax recovery, Net Income increased $24 million to $87 million from $63 million in the year ended December 31, 2012 compared to the year ended December 31, 2011. The increase in net income, excluding the deferred income tax recovery, for both the year and quarter ended December 31, 2012 was primarily due to an increase in Adjusted EBITDA and the gains associated with the sales of available-for-sale financial assets.

Adjusted EBITDA:

For Q4 2012, Adjusted EBITDA increased to $54 million compared to $47 million in Q4 2011 representing an increase of 15%. Adjusted EBITDA margin decreased to 21% in the fourth quarter of 2012 compared to 24% in the fourth quarter of 2011. For the fiscal year 2012, Adjusted EBITDA increased to $186 million compared to $169 million during the same period in 2011, representing an increase of 10%. Adjusted EBITDA margin was 21% in the fiscal year 2012 compared to 22% in the fiscal year 2011. The decrease in EBITDA margins in the fourth quarter 2012 is primarily attributed to an increase in legal fees associated with the customer dispute as described under "Acquisition of certain software assets and liabilities from MAXIMUS Inc." and from increased acquisition activity, an increase in bad debt expense, and a reduction in investment tax credits received for Canadian based research and development activities. See "Non-IFRS Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net income:

	Three months ended December 31, 2012	Three months ended December 31, 2011	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2011
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 260,999	$ 198,357	$ 891,226	$ 773,341
Net income	40,051	19,395	92,632	157,174
Adjusted for:				
Income tax expense (recovery)	6,240	5,085	18,050	(75,203)
Foreign exchange (gain) loss	1,152	364	822	3,392
Equity in net (income) loss of equity investees	(36)	-	839	-
Finance income	(19,649)	(1,100)	(23,178)	(7,267)
Finance costs	1,078	986	4,001	5,575
Impairment of non-financial assets	-	(29)	-	489
Amortization of intangible assets	23,499	20,917	85,142	76,650
Depreciation	2,010	1,829	7,643	7,868
Adjusted EBITDA	54,345	47,447	185,951	168,678
Adjusted EBITDA margin	21%	24%	21%	22%

Adjusted net income:

For Q4 2012, Adjusted net income increased by $22 million to $62 million compared to $40 million in Q4 2011, representing an increase of 55%. Adjusted net income margin was 24% in the fourth quarter of 2012 compared to 20% in the fourth quarter 2011. For the fiscal year 2012, Adjusted net income increased by $32 million to $172 million compared to $140 million during the same period in 2011, representing an increase of 22%. Adjusted net income margin was 19% in the fiscal year 2012 compared to 18% in the fiscal year 2011. The increase in Adjusted net income for both the fourth quarter and year ended December 31, 2012 is largely due to an increase in Adjusted EBITDA and the gains associated with the sales of available-for-sale financial assets. 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:

	Three months ended December 31, 2012	Three months ended December 31, 2011	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2011
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 260,999	$ 198,357	$ 891,226	$ 773,341
Net income	40,051	19,395	92,632	157,174
Adjusted for:				
Amortization of intangible assets	23,499	20,917	85,142	76,650
Impairment of non-financial assets	-	(29)	-	489
Deferred income tax (recovery) expense	(1,299)	(54)	(5,576)	(93,818)
Adjusted net income	62,251	40,229	172,198	140,495
Adjusted net income margin	24%	20%	19%	18%

Quarterly Results

	Quarter Ended							
	Mar. 31 2011	Jun. 30 2011	Sep. 30 2011	Dec. 31 2011	Mar. 31 2012	Jun. 30 2012	Sep. 30 2012	Dec. 31 2012
	($000, except per share amounts)							
Revenue	177,632	195,099	202,253	198,357	195,278	208,969	225,980	260,999
Net Income	62,488	55,986	19,305	19,395	13,924	17,592	21,065	40,051
Adjusted Net Income	27,042	33,507	39,717	40,229	31,707	36,161	42,079	62,251
Net Income per share								
Basic & diluted	2.95	2.64	0.91	0.92	0.66	0.83	0.99	1.89
Adjusted Net Income per share								
Basic & diluted	1.28	1.58	1.87	1.90	1.50	1.71	1.99	2.94

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 expenditures or gains which may include bargain purchase gains and gains or losses 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 acquired contract assets or liabilities and recognized as revenues and expenses over the term to completion of the contract. As a result, the revenue and expenses of these contracts reflected through profit or loss will differ from the revenue and expenses 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 $51 million in cash flows from operations since the date of acquisition and $15 million for the year ended December 31, 2012.

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 $1 million in the aggregate. These 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 twelve months ended December 31, 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 the PTS 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 December 31, 2012			For the year ended December 31, 2012		
(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Revenue	$ 225,766	$ 35,233	$ 260,999	$ 760,865	$ 130,361	$ 891,226
Adjusted EBITDA	48,750	5,595	54,345	162,383	23,568	185,951
EBITDA as % Total Revenue	22%	16%	21%	21%	18%	21%
Net Income	$ 35,291	$ 4,760	$ 40,051	$ 73,185	$ 19,447	$ 92,632
Cash flows from operating activities:						
Net income	$ 35,291	$ 4,760	$ 40,051	$ 73,185	$ 19,447	$ 92,632
Adjustments to reconcile net income to net cash flows from operations, including taxes paid:	11,663	(2,828)	8,835	69,435	114	69,549
Change in non-cash operating working capital	(3,946)	15,903	11,957	(13,263)	(4,127)	(17,390)
Cash flows from operating activities	$ 43,008	$ 17,835	$ 60,843	$ 129,357	$ 15,434	$ 144,791

Adjusted EBITDA to net income reconciliation

	For the three months ended December 31, 2012			For the year ended December 31, 2012		
(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Total revenue	$ 225,766	$ 35,233	$ 260,999	$ 760,865	$ 130,361	$ 891,226
Net income	35,291	4,760	40,051	73,185	19,447	92,632
Adjusted for:						
Income tax expense	6,516	(276)	6,240	16,151	1,899	18,050
Other expenses (income)	(18,374)	919	(17,455)	(19,052)	1,536	(17,516)
Amortization of intangible assets	23,499	-	23,499	85,142	-	85,142
Depreciation	1,818	192	2,010	6,957	686	7,643
Adjusted EBITDA	48,750	5,595	54,345	162,383	23,568	185,951
Adjusted EBITDA margin	22%	16%	21%	21%	18%	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 alleged that the subsidiary of Constellation and Maximus failed to observe the most favoured customer pricing terms of the contract. The customer also alleged that the subsidiary of Constellation and Maximus failed to provide the services and products required to be 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. The subsidiary of the Company, Maximus, and the customer, pursuant to the terms of the contract, entered into arbitration proceedings in respect of the customer's claims regarding service and product delivery. The potential liability was not identified with respect to these claims; however, the contract with the customer has a $9 million limitation of liability clause that the Company believes will apply to all such claims, should there be an unfavourable outcome to the Company through arbitration. In October 2012, the customer filed a claim in court alleging no contract existed between the customer and the subsidiary of Constellation and was seeking restitution of a minimum of $12 million. In December 2012, the subsidiary of Constellation obtained an arbitration ruling in relation to the customer dispute. The arbitration ruling concluded that no amounts were owed by the subsidiary to the customer for the various claims made by the customer and that the customer owes the subsidiary approximately $10 million in fees for services provided under the contract and for amounts owing due to a breach of contract by the customer. Constellation is seeking to obtain a court judgement to enforce the arbitration ruling. Until a court judgment is received to enforce the arbitration the Company still considers the payment contingent and accordingly has not recognized this amount in the consolidated financial statements.

Liquidity

Our net cash position (cash less bank indebtedness) at December 31, 2012 was negative $3 million compared to $33 million at December 31, 2011. Bank indebtedness increased to $44 million from nil at the end of 2011, and cash increased by $8 million to $41 million at December 31, 2012 compared to $33 million at December 31, 2011.

Total assets increased $182 million, from $631 million at December 31, 2011 to $813 million at December 31, 2012. The increase is primarily due to an increase in cash of $8 million, accounts receivable of $31 million, work in progress of $11 million, and intangible assets of $135 million arising from acquisitions made in 2012. This increase was partially offset by a decrease in equity securities available-for-sale of $21 million.

Current liabilities increased $152 million, from $321 million at December 31, 2011 to $473 million at December 31, 2012. The increase is due to increase in net borrowings on our line of credit of $44 million, an increase in accounts payable and accrued liabilities of $33 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 primarily due to an increase in acquisitions in 2012 as compared to 2011.

Net Changes in Cash Flows (in millions of $)	**Twelve months ended December 31, 2012**	**Twelve months ended December 31, 2011**
Net cash provided by operating activities	$145	$138
Net cash used in financing activities	(27)	(92)
Net cash used in investing activities	(110)	(43)
Net increase (decrease) in cash and cash equivalents	$8	$3

The net cash flows from operating activities was $145 million for the year ended December 31, 2012. The $145 million provided by operating activities resulted from approximately $93 million in net income, plus $93 million of non-cash adjustments to net income, offset by $17 million of cash used by an increase in our non-cash operating working capital and $24 million in taxes paid.

The net cash used in financing activities in the year ended December 31, 2012 was $27 million, which is mainly a result of an increase in bank indebtedness of $41 million, which was offset by dividends paid in the year of $64 million. The decrease in net cash used in financing activities in 2012 compared to the prior year is mainly attributed to an increase in bank indebtedness, which was partially offset by an increase in dividends paid. In the year ended December 31, 2011, we paid down $48 million of bank indebtedness compared to an increase of $41 million for the year ended December 31, 2012. The Company also paid $64 million of dividends in 2012 compared to $42 million in 2011.

The net cash used in investing activities in the year ended December 31, 2012 was $110 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $139 million (including payments for holdbacks relating to acquisitions closed prior to December 31, 2011) and the purchase of property and equipment of $6 million, which was offset by $35 million of proceeds from sales of available-for-sale financial assets. The increase in cash used for investing activities in the year ended December 31, 2012 compared to the same period in the prior year is mainly attributed to payments related to acquisitions. For the year ended December 31, 2011, we made $46 million in acquisition related payments (including payments for holdbacks relating to acquisitions closed in prior years) compared to payments of $139 million for the same period in 2012.

We believe we have sufficient liquidity 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. 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 December 31, 2012, we had drawn $46 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 December 31, 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 (the Company does, however, enter into foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of monetary liabilities), or any equity interests in non-consolidated entities (aside from our equity investments included in other assets) that would have a significant effect on our assets and liabilities as at December 31, 2012.

Commitments

(in thousands of dollars)

	Total	< 1 yr	1-5 yrs	> 5 yrs
Operating and capital leases	66,518	19,792	38,088	8,638
Holdbacks	26,608	20,635	5,973	-
Line of credit	46,000	46,000	-	-
Total outstanding commitments	139,126	86,427	44,061	8,638

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 gains or 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. 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 period, the Company purchased contracts of this nature totaling approximately $56 million. At December 31, 2012 a single contract remains unsettled with a value of $19 million and the Company has recorded its fair value at December 31, 2012 based on foreign exchange rates relative to the stated rate in the contract. The fair value loss through profit or loss of $0.2 million has been recorded in interest expense as part of finance costs. The contract was settled on January 3, 2013.

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 twelve month periods ended December 31, 2012:

	Three Months Ended December 31,2012		Year Ended December 31, 2012	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	65%	55%	67%	55%
CAD	11%	19%	11%	21%
GBP	10%	10%	11%	11%
EURO	8%	8%	6%	4%
CHF	1%	3%	2%	4%
Others	5%	5%	3%	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.

Disposal of Assets Subsequent to 2012 Year End

On February 14, 2013, the Company sold the technology and cloud solution assets ("CSI Tech") of the previously acquired Computer Software Innovations, Inc. ("CSWI") to Encore Technology Group. The Company remains committed to the development and operation of the software business acquired as part of the acquisition of CSWI. The Company sold off the CSI Tech business as it was a hardware business that was unrelated to the software business acquired in the CSWI acquisition

The table below provides certain supplemental information for the three months ended December 31, 2012 regarding the CSI Tech that were sold subsequent to year end.

	Three months ended December 31, 2012		
	Constellation Software Inc.	CSI Tech	Constellation Software Inc. (excluding CSI Tech)
<u>**Revenue**</u>		(note 1)	
Licenses	22,683	9	22,674
Professional services	58,594	739	57,855
Hardware and other	37,944	6,127	31,817
Maintenance and other recurring	141,778	218	141,560
	260,999	**7,092**	**253,907**
<u>**Expenses**</u>			
Hardware	23,960	5,224	18,736
Other	182,694	1,830	180,864
	206,654	**7,054**	**199,600**
Adjusted EBITDA	**54,345**	**39**	**54,306**
Adjusted EBITDA %	21%	1%	21%
Total Assets	**812,679**	**3,346**	**809,333**

Note 1 - CSI Tech represents the Technology and Cloud solution assets of the previously acquired Computer Software Innovations, Inc. The acquisition was completed during Q4 2012 and the sale occurred subsequent to year end.

Critical Accounting Estimates

General

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses, in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are fully described in Note 3 to our annual consolidated financial statements which are available on SEDAR (www.sedar.com). Certain accounting policies are particularly important to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. We believe that there have been no significant changes in our critical accounting estimates for the years presented in our consolidated financial statements.

Revenue Recognition

Revenue represents the fair value of consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company reports revenue under four revenue categories being License, Hardware and Other, Professional Services, and Maintenance and other recurring revenue.

Typically, the Company's software license agreements are multiple-element arrangements as they may also include maintenance, professional services, and hardware. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by an internal analysis of prices or by using the residual method. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting.

The Company typically sells or licenses software on a perpetual basis, but also licenses software for a specified period. Revenue from short-term time-based licenses, which usually include support services during the license period, is recognized rateably over the license term. Revenue from multi-year time based licenses that include support services, whether separately priced or not, is recognized rateably over the license term unless a substantive support service renewal rate exists; if this is the case, the amount allocated to the delivered software is recognized as software revenue based on the residual approach once the revenue criteria have been met. In those instances where the customer is required to renew mandatory support and maintenance in order to maintain use of the licensed software over the license term, the Company recognizes the consideration attributable to the license and support for the initial term of the arrangement attributable to the license and support over the initial one-year term and recognizes revenue for the support renewal fees in subsequent years over the respective renewal periods.

Revenue from the license of software involving significant implementation or customization essential to the functionality of the Company's product, or from the sales of hardware where software is essential to its functionality, is recognized under the percentage-of-completion method of contract accounting based either on the achievement of contractually defined milestones or based on labour hours. Any probable losses are recognized immediately in profit or loss. In certain situations where the outcome of an arrangement cannot be estimated reliably, costs associated with the arrangement are recognized as incurred. In this situation, revenues are recognized only to the extent of the costs incurred that are probable of recovery.

A portion of the Company's sales, categorized as hardware revenue, are accounted for as product revenue. Product revenue is recognized when the Company has an executed agreement, the product has been delivered and costs can be measured reliably, the amount of the fee to be paid by the customer is fixed and determinable, and the collection of the related receivable is deemed probable from the outset of the arrangement. If for any of the product or service offerings, the Company determines at the outset of an arrangement that the amount of revenue cannot be measured reliably, and the Company concludes that the inflow of economic benefits associated with the transaction is not probable, then the revenue is deferred until the arrangement fee becomes due and payable by the customer. If, at the outset of an arrangement, the Company determines that collectability is not probable, and the Company concludes that the inflow of economic benefits associated with the transaction is not probable, then revenue recognition is deferred until the earlier of when collectability becomes probable or payment is received. If collectability becomes unlikely before all revenue from an arrangement is recognized, the Company recognizes revenue only to the extent of the fees that are successfully collected unless collectability becomes reasonably assured again. If a customer is specifically identified as a collection risk, the Company does not recognize revenue except to the extent of the fees that have already been collected.

Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation is included in the hardware and other revenue category. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced. Reimbursable travel expenses incurred for which an invoice has not been issued, are recorded as part of work in progress on the statement of financial position.

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from combined software/support contracts, transaction revenues, managed services, and hosted products. Maintenance revenue remaining to be recognized in profit or loss is recognized as deferred revenue in the statement of financial position when amounts have been billed in advance.

Professional Services revenue including implementation, training and customization of software is recognized by the stage of completion of the arrangement determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably, the amount of revenue recognized is limited to the cost incurred in the period. Losses on contracts are recognized as soon as a loss is foreseen by reference to the estimated costs of completion.

Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also applies estimates in the calculation of future contract costs and related profitability as it relates to labour hours and other considerations, which are used in determining the value of amounts recoverable on contracts and timing of revenue recognition. Estimates are continually and routinely revised based on changes in the facts relating to each contract. Judgement is also needed in assessing the ability to collect the corresponding receivables.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in work in progress. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as deferred revenue.

Valuation of Identifiable Goodwill and Other Intangible Assets

Acquisitions have been accounted for using the acquisition method required by IFRS 3. Goodwill arising on acquisition is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the excess of the consideration transferred less the assets and liabilities acquired is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

We use the income approach to value acquired technology and customer related intangible assets, which are the two material intangible asset categories reported in our financial statements.

The income approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that the asset can be expected to generate over its remaining useful life. We utilize the discounted cash flow ("DCF") methodology which is a form of the income approach that begins with a forecast of the annual cash flows a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible asset.

Specifically, we rely on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings method (“MEEM”) to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the costs savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the fair value assigned to the net identifiable tangible and intangible assets acquired. Goodwill is not amortized but rather it is periodically assessed for impairment. We perform an annual review in the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill is impaired.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. No such losses have been recognized during the year.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's business units (considered as the grouping of cash generating units ("CGU") at which level the impairment test is performed) and the net asset carrying values (including goodwill) of the Company's business units. Within the Company's reporting structure, business units generally reflect one level below the six operating segments (Volaris, Harris, Emphasys, Jonas, Homebuilder, and Friedman Operating Groups). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are derived from combined software/support contracts, transaction revenues, and hosted products. Valuation multiples applied by management for this purpose reflect current conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past experience of ranges of multiples required to acquire representative software companies. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company’s business acquisitions. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount.

We also review the carrying value of amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. Any change in estimate which causes the undiscounted expected future cash flows to be less than the carrying value, would result in an impairment loss being recognized equal to the amount by which the carrying value of the asset exceeds the fair value of the asset.

The critical accounting estimates described above affect both the public and private segments of the business. The approach taken by management in performing these estimates is not significantly different between segments.

Accounting for Income Taxes

Significant management judgment is required in determining our provision for income taxes, our income tax assets and liabilities, and any valuation allowance recorded against our net income tax assets. We operate in multiple geographic jurisdictions, and to the extent that we have profits in each jurisdiction, these profits are taxed pursuant to the tax laws of their jurisdiction. Our effective tax rate may be affected by changes in, or interpretations of, tax laws in any given jurisdiction, the level of profitability, utilization of net operating losses and tax credit carry forwards, changes in geographical mix of income and expense, and changes in management's assessment of matters, such as the ability to realize future tax assets. As a result of these considerations, we must estimate our income taxes in each of the jurisdictions in which we operate on a quarterly basis. This process involves estimating our actual current tax exposures, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in future tax assets and liabilities, which are included in our consolidated balance sheet.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

We are subject to 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 current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact to our financial position. However, there can be no assurances as to the final resolution of these matters and, if the final outcome is adverse to us, the amounts we will be required to pay and the loss of certain future tax deductions could be material to our financial statements.

Accounts Receivable

We evaluate the collectability of our trade receivables based on a combination of factors. We regularly analyze our significant customer accounts and when we become aware of a specific customer's inability to meet its financial obligations to us, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position, we record specific bad debt reserves to reduce the related receivable to the amount which we reasonably believe is collectible. We also record reserves for bad debts on a small portion of all other customer balances based on a variety of factors, including the length of time that the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of receivables could be further adjusted.

Work In Progress

For revenue arrangements that are accounted for under the percentage of completion method as well as other arrangements and contracts which limit our ability to invoice at certain milestones that do not match the timing of the actual provision of the services, we record such revenue and the related unbilled receivable in work in process. Similar to accounts receivable, we constantly have to evaluate our ability to bill and subsequently collect any amounts contained in the work in progress accounts. We review these balances on a periodic basis to ensure customer balances are prudent based upon a variety of factors, such as the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of work in progress may be further adjusted.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as part of finance costs.

We are currently involved in various claims and legal proceedings. Quarterly, we review the status of each significant matter and assess our potential financial exposure. Because of the uncertainties related to these matters, provisions are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and, if necessary, revise our provisions. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

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 our consolidated financial statements. The relevant standards and the anticipated impact are highlighted below.

IFRS 9 Financial Instruments

IFRS 9 (2009) 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 (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

IFRS 10 replaces the guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IAS 27 (2008) survives as IAS 27 (2011) Separate Financial Statements, only to carry forward the existing accounting requirements for separate financial statements.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

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 consolidated financial statements.

IFRS 11 Joint Arrangements

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

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 consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity’s interest in other entities, and the effects of those interests on the entity’s financial position, financial performance and cash flows.

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 consolidated financial statements because of the nature and extent of the Company's interests in other entities.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other.

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures

IAS 28 (2011) carries forward the requirements of IAS 28 (2008), with the following limited amendments:

Associates and joint ventures held for sale. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to IAS 28 to have a material impact on the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.

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 consolidated financial statements.

Amendments to IAS 19 Employee Benefits

The amendments require the following:

- Recognition of actuarial gains and losses immediately in other comprehensive income
- Full recognition of past service costs immediately in profit or loss
- Recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation
- Additional disclosures that explain the characteristics of the entity's defined benefit plans and risks associated with the plans, as well as disclosures that describe how defined benefit plans may affect the amount, timing and uncertainty of future cash flows, and details of any asset-liability match strategies used to manage risks.

The amendments also impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 Provisions, and when the entity can no longer withdraw the offer of the termination benefits.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to IAS 19 to have a material impact on the consolidated financial statements.

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 Company does not expect the amendments to have a material impact on the consolidated financial statements.

Share Capital

As at March 6, 2013, there were 21,191,530 common shares outstanding.

Outlook

For Q1 2013, the Company expects gross revenue to be in the range of $245 million to $260 million and Adjusted EBITDA margin to be in the range of 14% to 18%.

The above statements are "forward looking statements" and are based on the following various assumptions which management believes are reasonable under the current circumstances:

1. Revenue growth will be in the range of 26% to 33% for Q1 2013, which includes the impact of all companies acquired to date;

2. The European acquisitions that the Company completed during the second half of 2012 and in the first quarter of 2013 will likely have negative Adjusted EBITDA in Q1 2013, and in aggregate, the European (including UK) operations of the Company will generate single digit Adjusted EBITDA margins during the quarter;

3. North American hiring by the company during Q1 2013 will be increased to provide additional professional services capacity to address backlog and to staff new investments in growth initiatives;

4. No material acquisitions will be completed during the remainder of Q1 2013; and

5. General economic and market conditions will remain consistent with those in effect on March 6, 2013.

Although management believes the above statements are based on assumptions that are reasonable in the current circumstances, they are subject to various risks and uncertainties and there are several factors that could cause actual results to differ materially from those specified above. These factors include, but are not limited to, the following:

1. Revenue can fluctuate significantly based on the demand for our software products, level of product and price competition, the geographical mix of our sales together with fluctuations in foreign currency exchange rates, changes in mix and pricing of software solutions that our customers demand, our ability to successfully implement projects, order cancellations, renewal of maintenance agreements with customers, and patterns of spending and changes in budgeting cycles of our customers;

2. Adjusted EBITDA can fluctuate significantly based on the pricing and mix of software solutions that we sell, our customer demand, the geographical mix of our sales and cost base together with fluctuations in foreign currency exchange rates, acquisition related expenses, legal fees, changes in acquired assets and/or liabilities, and employee bonuses which are based on the performance of the Company;

The above statements have been included for the purpose of providing information about management's current expectations and plans relating to Q1 of fiscal 2013. Readers are cautioned that such information may not be appropriate for other purposes.

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 Q1, 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 year. 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 December 31, 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' annual 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 annual 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 year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.