CONSTELLATION SOFTWARE INC.

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

The following discussion and analysis should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2011, which we prepared in accordance with International Financial Reporting Standards ("IFRS") and with our Annual Consolidated Financial Statements for the year ended December 31, 2010, which we prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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', may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this MD&A, August 3, 2011. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

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

The term ''Adjusted EBITDA'' refers to net income before deducting finance income, finance costs, income taxes, depreciation, amortization, and foreign exchange loss (gain). The Company believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and 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 plus non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, and certain other non-cash expenses (income). The Company believes that Adjusted net income is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration amortization of intangible assets, deferred income taxes, and certain other non-cash expenses (income) incurred by the Company from time to time. ‘‘Adjusted net income margin’’ refers to the percentage that Adjusted net income for any period represents as a portion of total revenue for that period.

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

Overview

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

Our revenue consists primarily of software license fees, maintenance 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. Maintenance 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 combined software/support contracts, transaction revenues, and hosted products. Maintenance fee arrangements generally include ongoing customer support and rights to certain product updates “when and if available” and products sold on a subscription basis. Professional service revenue consists of fees charged for implementation services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware as well as sales of hardware assembled internally. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the types, mix and quantity of each varies by customer and by product.

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

Results of Operations

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

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2011	2010	$	%	2011	2010	$	%
Revenue	**195,099**	**153,545**	**41,554**	**27%**	**372,731**	**298,391**	**74,340**	**25%**
Expenses	153,337	125,562	27,775	22%	295,935	246,566	49,369	20%
Adjusted EBITDA	**41,762**	**27,983**	**13,779**	**49%**	**76,796**	**51,825**	**24,971**	**48%**
Depreciation	1,956	1,518	438	29%	4,082	2,764	1,318	48%
Amortization of intangible assets	18,073	16,926	1,147	7%	36,598	31,884	4,714	15%
Foreign exchange	1,868	1,000	868	87%	3,933	421	3,512	834%
Finance income	(3,004)	(310)	(2,694)	869%	(3,372)	(594)	(2,778)	468%
Finance costs	1,966	1,405	561	40%	3,127	2,357	770	33%
Profit before income taxes	20,903	7,444	13,459	181%	32,428	14,993	17,435	116%
Income taxes (recovery)								
Current income tax expense	5,469	4,711	758	16%	8,477	8,306	171	2%
Deferred income tax expense (recovery)	(43,165)	411	(43,576)	NM	(98,877)	(3,666)	(95,211)	NM
Income tax expense (recovery)	(37,696)	5,122	(42,818)	-836%	(90,400)	4,640	(95,040)	NM
Net income	**58,599**	**2,322**	**56,277**	**NM**	**122,828**	**10,353**	**112,475**	**NM**
Adjusted net income	**33,507**	**19,659**	**13,848**	**70%**	**60,549**	**38,571**	**21,978**	**57%**
Weighted average number of shares outstanding (000's)								
Basic and diluted	21,192	21,192			21,192	21,192		
Net income per share								
Basic and diluted	$ 2.77	$ 0.11	$ 2.66	NM	$ 5.80	$ 0.49	$ 5.31	NM
Adjusted EBITDA per share								
Basic and diluted	$ 1.97	$ 1.32	$ 0.65	49%	$ 3.62	$ 2.45	$ 1.18	48%
Adjusted net income per share								
Basic and diluted	$ 1.58	$ 0.93	$ 0.65	70%	$ 2.86	$ 1.82	$ 1.04	57%

NM - Not meaningful

Comparison of the three and six months ended June 30, 2011 and 2010

Revenue:

Total revenue for the quarter ended June 30, 2011 was $195 million, an increase of 27%, or $41 million, compared to $154 million for the comparable period in 2010. For the first six months of 2011 total revenues were $373 million, an increase of 25%, or $75 million, compared to $298 million for the comparable period in 2010. The increase for both the three and six month periods compared to the same periods in the prior year is attributable to both growth from acquisitions and organic growth. Organic growth was 14% for the second quarter and 10% for the six months ended June 30, 2011. For business acquisitions, organic growth is calculated as the difference between actual revenues achieved by each business in the financial period following acquisition compared to the revenues it achieved in the corresponding financial period preceding the date of acquisition by Constellation.

Software license revenue for the quarter ended June 30, 2011 was $16 million, an increase of 36%, or $5 million, compared to $11 million in the same period in 2010. During the six months ended June 30, 2011, license revenue increased by 37% or $8 million to $30 million, from $22 million for the same period in 2010. Professional services revenue for the quarter ended June 30, 2011 increased by 12%, or $5 million to $48 million, from $43 million for the same period in 2010. During the six months ended June 30, 2011, professional services revenue increased by 7% or $5 million to $89 million, from $84 million for the same period in 2010. Hardware and other revenue for the quarter ended June 30, 2011 increased by 92%, or $14 million to $29 million from $15 million for the same period in 2010. During the six months ended June 30, 2011, hardware and other revenue increased by 61%, or $19 million to $51 million from $32 million for the same period in 2010. Maintenance revenue for the quarter ended June 30, 2011 increased by 22%, or $18 million to $103 million, from $85 million for the same period in 2010. During the six months ended June 30, 2011, maintenance revenue increased by 26% or $41 million to $202 million, from $161 million for the same period in 2010. The following table displays the breakdown of our revenue according to revenue type:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2011	2010	$	%	2011	2010	$	%
	($000, except percentages)				($000, except percentages)			
Licenses	15,568	11,471	4,097	36%	29,974	21,932	8,042	37%
Professional services	47,616	42,547	5,069	12%	89,405	83,697	5,708	7%
Hardware and other	28,717	14,983	13,734	92%	51,104	31,774	19,330	61%
Maintenance	103,198	84,544	18,654	22%	202,248	160,988	41,260	26%
	195,099	153,545	41,554	27%	372,731	298,391	74,340	25%

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

The following table displays our revenue by reportable segment and the percentage change for the three and six months ended June 30, 2011 compared to the same periods in 2010:

	Three months ended June 30, 2011	Three months ended June 30, 2010	Period-Over-Period Change $	Period-Over-Period Change %	Six months ended June 30, 2011	Six months ended June 30, 2010	Period-Over-Period Change $	Period-Over-Period Change %
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	10,607	8,390	2,217	26%	20,760	16,331	4,429	27%
Professional services	39,036	35,388	3,648	10%	72,494	70,380	2,114	3%
Hardware and other	25,622	12,758	12,864	101%	45,276	28,241	17,035	60%
Maintenance	70,975	57,652	13,323	23%	138,660	110,413	28,247	26%
	146,240	114,188	32,052	28%	277,190	225,365	51,825	23%
Private Sector								
Licenses	4,961	3,081	1,880	61%	9,214	5,601	3,613	65%
Professional services	8,580	7,159	1,421	20%	16,911	13,317	3,594	27%
Hardware and other	3,095	2,225	870	39%	5,828	3,533	2,295	65%
Maintenance	32,223	26,892	5,331	20%	63,588	50,575	13,013	26%
	48,859	39,357	9,502	24%	95,541	73,026	22,515	31%

Public Sector

For the quarter ended June 30, 2011, total revenue in the public sector reportable segment increased 28%, or $32 million, to $146 million, compared to $114 million for the quarter ended June 30, 2010. For the six months ended June 30, 2011, total revenue increased by 23% or $52 million, to $277 million, compared to $225 million for the comparable period in 2010. The increases for both the three and six month periods were significant across our license, hardware, and maintenance revenue streams. Revenue growth from acquired businesses was significant for both the three and six month periods as we completed sixteen acquisitions since the beginning of 2010 in our public sector segment. Revenues increased organically by 15% in Q2 2011 and 10% in the six months ended June 30, 2011 compared to the same periods in 2010.

The organic revenue change was primarily driven by the following:

- **Volaris operating group (formerly the Trapeze operating group)** (increase of approximately $14 million in Q2 2011 and an increase of approximately $18 million for the six months ended June 30, 2011). For both the three and the six months ended June 30, 2011, organic growth was primarily driven from strong revenue from existing clients and new customers in its transit business unit.

- **Harris operating group** (increase of approximately $3 million in Q2 2011 and an increase of approximately $4 million for the six months ended June 30, 2011). For both the three and the six months ended June 30, 2011, Harris had continued strong revenue from existing clients and new customers in their utility business.

Private Sector

For the quarter ended June 30, 2011, total revenue in the private sector reportable segment increased by 24%, or $10 million, to $49 million, compared to $39 million for the quarter ended June 30, 2010. For the six months ended June 30, 2011 total revenue increased by 31% or $23 million, to $96 million, compared to $73 million for the comparable period in 2010. Revenue growth from acquired businesses was significant for both the three and six month periods as we completed nineteen acquisitions since the beginning of 2010 in our private sector segment. Revenues increased organically by 11% in Q2 2011 and 10% in the six months ended June 30, 2011 compared to the same periods in 2010.

The organic revenue change was primarily driven by the following:

- **Jonas operating group** (increase of approximately $2 million in Q2 2011 and an increase of approximately $5 million for the six months ended June 30, 2011). Jonas' organic growth was driven by strong sales to both existing and new customers primarily in its' health club and food services verticals.

- **Homebuilder operating group** (increase of approximately $2 million in Q2 2011 and approximately $4 million for the six months ended June 30, 2011). The organic growth was primarily driven by strong sales to both existing and new customers in Homebuilders' pulp and paper manufacturers and lease management verticals.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended June 30, 2011	Three months ended June 30, 2010	Period-Over-Period Change $	Period-Over-Period Change %	Six months ended June 30, 2011	Six months ended June 30, 2010	Period-Over-Period Change $	Period-Over-Period Change %
	($000, except percentages)				($000, except percentages)			
Expenses								
Staff	100,687	88,534	12,153	14%	196,606	174,853	21,753	12%
Hardware	16,763	8,337	8,426	101%	28,884	17,674	11,210	63%
Third party license, maintenance and professional services	11,949	8,872	3,077	35%	24,612	16,534	8,078	49%
Occupancy	4,715	4,047	668	17%	9,303	7,983	1,320	17%
Travel	7,190	5,898	1,292	22%	13,458	11,157	2,301	21%
Telecommunications	2,344	2,226	118	5%	4,881	4,577	304	7%
Supplies	4,133	2,900	1,233	43%	8,296	5,584	2,712	49%
Professional fees	2,584	2,589	(5)	0%	4,720	3,839	881	23%
Other	2,972	2,159	813	38%	5,175	4,365	810	19%
	153,337	125,562	27,775	22%	295,935	246,566	49,369	20%

Overall expenses for the quarter ended June 30, 2011 increased 22%, or $27 million, to $153 million, compared to $126 million during the same period in 2010. As a percentage of total revenue, expenses decreased to 79% in the quarter ended June 30, 2011 from 82% in the quarter ended June 30, 2010. During the six months ended June 30, 2011, expenses increased 20%, or $49 million, to $296 million, compared to $247 million during the same period in 2010. As a percentage of total revenue, operating expenses decreased from 83% in the six months ended June 30, 2010 to 79% in the six months ended June 30, 2011. The growth in expenses for the three and six month periods is primarily due to the growth in the number of employees and an increase in hardware and third party license, maintenance and professional services expenses. Our average employee headcount associated with operating expenses grew 11% from 3,317 in the quarter ended June 30, 2010 to 3,671 in the quarter ended June 30, 2011 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 June 30, 2011	2010	Period-Over-Period $	%	Six months ended June 30, 2011	2010	Period-Over-Period Change $	%
	($000, except percentages)				($000, except percentages)			
Professional Services	25,869	23,344	2,525	11%	51,036	46,661	4,375	9%
Maintenance	18,792	16,074	2,718	17%	37,401	32,472	4,929	15%
Research and Development	25,874	21,695	4,179	19%	50,237	43,919	6,318	14%
Sales and Marketing	13,964	11,654	2,310	20%	27,032	22,324	4,708	21%
General and Administration	16,188	15,767	421	3%	30,900	29,477	1,423	5%
	100,687	88,534	12,153	14%	196,606	174,853	21,753	12%

Professional Services – Staff expenses related to our Professional Services operating department increased 11%, or $3 million, to $26 million for the quarter ended June 30, 2011 compared to $23 million for the same period in 2010. During the six months ended June 30, 2011 staff expenses related to our professional services operating department increased 9%, or $4 million, to $51 million, compared to $47 million over the same period in 2010. The growth in staff expenses related to our Professional Services operating department was primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our Professional Services operating department grew 6% from 956 for the six month ended June 30, 2010 to 1,011 for the six months ended June 30, 2011 primarily due to acquisitions.

Maintenance – Staff expenses related to our Maintenance operating department increased 17%, or $3 million, to $19 million for the quarter ended June 30, 2011 compared to $16 million for the same period in 2010. During the six months ended June 30, 2011 staff expenses related to our Maintenance operating department increased 15%, or $5 million, to $37 million, compared to $32 million over the same period in 2010. The growth in staff expenses related to our Maintenance operating department is primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our Maintenance operating department grew 16% from 736 for the six months ended June 30, 2010 to 854 for the six months ended June 30, 2011 primarily due to acquisitions.

Research and Development – Staff expenses related to our Research and Development operating department increased 19%, or $4 million, to $26 million for the quarter ended June 30, 2011 from $22 million for the same period in 2010. During the six months ended June 30, 2011 staff expenses related to our Research and Development operating department increased 14%, or $6 million, to $50 million from $44 million over the same period in 2010. The growth in staff expenses related to our Research and Development operating department is primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our Research and Development operating department grew 19% from 830 in the six months ended June 30, 2010 to 984 in the six months ended June 30, 2011 primarily due to acquisitions.

Sales and Marketing – Staff expenses related to our Sales and Marketing operating department increased 20%, or $2 million, to $14 million for the quarter ended June 30, 2011 compared to $12 million for the same period in 2010. During the six months ended June 30, 2011 staff expenses related to our Sales and Marketing operating department increased 21%, or $5 million, to $27 million from $22 million over the same period in 2010. The growth in staff expenses related to our Sales and Marketing operating department is primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our Sales and Marketing operating department grew 17% from 350 in the six months ended June 30, 2010 to 409 in the six months ended June 30, 2011 primarily due to acquisitions.

General and Administrative – Staff expenses related to our General and Administrative operating department increased 3%, or $0.4 million, to $16.2 million for the quarter ended June 30, 2011 from $15.8 million for the same period in 2010. During the six months ended June 30, 2011 staff expenses related to our General and Administrative operating department increased 5%, or $2 million, to $31 million from $29 million over the same period in 2010.The growth in staff expenses related to our General and Administrative operating department is primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our General and Administrative operating department grew 4% from 364 for the three months ended June 30, 2010 to 378 in the three months ended June 30, 2011 primarily due to acquisitions. Our average employee headcount associated with our General and Administrative operating department grew 9% from 349 in the six months ended June 30, 2010 to 379 in the six months ended June 30, 2011 primarily due to acquisitions.

Hardware expenses – Hardware expenses for the quarter ended June 30, 2011 increased 101% or $9 million to $17 million, compared to $8 million during the same period in 2010. During the six months ended June 30, 2011 hardware expenses increased 63%, or $11 million, to $29 million from $18 million over the same period in 2010. The increase in hardware expenses is attributable to the increase in hardware and other revenue.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses for the quarter ended June 30, 2011 increased 35% or $3 million to $12 million, compared to $9 million for the quarter ended June 30, 2010. During the six months ended June 30, 2011 third party license, maintenance and professional services expense increased 49%, or $8 million, to $25 million from $17 million over the same period in 2010. The increase is primarily due to an increase in license and maintenance revenue in 2011 and due to an acquisition in 2010 that had a relatively high component of third party costs.

Other Expenses:

The following table displays the breakdown of our other expenses:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2011	2010	$	%	2011	2010	$	%
	($000, except percentages)				($000, except percentages)			
Depreciation	1,956	1,518	438	29%	4,082	2,764	1,318	48%
Amortization of intangible assets	18,073	16,926	1,147	7%	36,598	31,884	4,714	15%
Foreign exchange	1,868	1,000	868	87%	3,933	421	3,512	834%
Finance income	(3,004)	(310)	(2,694)	869%	(3,372)	(594)	(2,778)	468%
Finance costs	1,966	1,405	561	40%	3,127	2,357	770	33%
Income taxes	(37,696)	5,122	(42,818)	-836%	(90,400)	4,640	(95,040)	NM
	(16,837)	25,661	(42,498)	-166%	(46,032)	41,472	(87,504)	-211%

NM - Not meaningful

Depreciation – Depreciation of property and equipment increased 29%, or $0.5 million, to $2 million in the quarter ended June 30, 2011 from $1.5 million for the same period in 2010. For the six months ended June 30, 2011, depreciation of property and equipment increased 48% or $1 million, to $4 million from $3 million for the same period in 2010. The increase is primarily due to an increase in purchased property and equipment and property and equipment obtained in acquisitions.

Amortization of intangible assets – Amortization of intangible assets increased to $18 million for the quarter ended June 30, 2011 from $17 million for the quarter ended June 30, 2010, representing a 7% increase. For the six months ended June 30, 2011, amortization of intangible assets increased 15% or $5 million, to $37 million from $32 million for the same period in 2010. The increase is attributable to the increases in our intangible asset balance (on a cost basis) over the twelve month period ended June 30, 2011 as a result of the acquisitions that we completed during this period.

Foreign exchange – For the quarter ended June 30, 2011, our foreign exchange loss was $2 million compared to a loss of $1 million in the quarter ended June 30, 2010. For the six months ended June 30, 2011 the foreign exchange loss was $4 million compared to a loss of $0.4 million, for the same period in 2010. The foreign exchange loss for the three and six months ended June 30, 2011 is due to realized losses on settling certain non-USD liabilities and due to holding losses on certain non-USD net liabilities.

Finance income – Finance income increased to $3 million for the quarter ended June 30, 2011 from $0.3 million for the quarter ended June 30, 2010. For the six months ended June 30, 2011, finance income was $3 million compared to $0.6 million for the same period in 2010. The finance income for the three and six months ended June 30, 2011 is primarily due to gains on marketable securities sold in the period.

Finance costs – Finance costs increased to $2 million for the quarter ended June 30, 2011 from $1 million for the quarter ended June 30, 2010. For the six months ended June 30, 2011, finance costs were $3 million compared to $2 million for the same period in 2010. The increase in finance costs for the three and six month periods ended June 30, 2011 is primarily due to additional interest expense on our line of credit resulting from increased borrowings.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our tax rate is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses. For the quarter ended June 30, 2011, income tax recovery was $38 million, compared to income tax expense of $5 million for the same period in 2010. For the six months ended June 30, 2011, income tax recovery was $90 million compared to income tax expense of $5 million for the same period in 2010. The increase in income tax recovery was primarily due to the inter-jurisdictional transfer of certain intangible assets between entities within the Company, as well as the corporate migration of certain entities from one jurisdiction to another, during the period. Deferred tax assets were recorded on the increase in fair market value arising on the sale of assets between entities and the additional deductible tax basis arising as a result of the inter-jurisdictional migration of entities within the Company at the purchaser's tax rate, and in the case of the corporate migration, at the tax rate in the immigrating jurisdiction, notwithstanding that the resulting gains were not otherwise recorded for profit or loss purposes. The deferred income tax recovery recorded through profit or loss represents the amount of the temporary differences that the Company has determined is probable of being utilized for income tax deduction purposes in the future. These deductions will be available to the Company in 2011 and in future periods and, as such, the Company expects a reduction in current income tax in 2011 as a percentage of Adjusted net income. The Company does not expect a similar deferred income tax recovery relating to a corporate migration of entities within the Company or an inter-jurisdictional transfer of intangible assets for the remainder of 2011.

Net Income:

Net income for the quarter ended June 30, 2011 was $59 million compared to net income of $2 million for the same period in 2010. On a per share basis this translated into a net income per diluted share of $2.77 in the quarter ended June 30, 2011 vs. a net income per diluted share of $0.11 in the quarter ended June 30, 2010. For the first six months of 2010, net income was $123 million or $5.80 per diluted share compared to $10 million or $0.49 per diluted share in the first six months of 2010. Net income in the three and six months ended June 30, 2011 was positively impacted by the growth in our Adjusted EBITDA and income tax recovery, offset by an increase in amortization of intangible assets.

Adjusted EBITDA:

For Q2 2011, Adjusted EBITDA increased by $14 million to $42 million compared to $28 million in Q2 2010 representing an increase of 49%. Adjusted EBITDA margin was 21% in the second quarter of 2011 compared to 18% in the comparable period in 2010. For the first six months of 2011, Adjusted EBITDA increased by $25 million to $77 million compared to $52 million during the same period in 2010, representing an increase of 48%. Adjusted EBITDA margin was 21% in the first six months of 2011, compared to 17% of total revenue for the same period in 2010. The increase in Adjusted EBITDA margin for the three and six months ended June 30, 2011 is largely due to a relatively greater increase in higher margin license revenue and due to a reduction in our bonus accrual as a percentage of gross revenue. 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 June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 195,099	$ 153,545	$ 372,731	$ 298,391
Net income	58,599	2,322	122,828	10,353
Add back:				
Income tax expense (recovery)	(37,696)	5,122	(90,400)	4,640
Foreign exchange	1,868	1,000	3,933	421
Finance income	(3,004)	(310)	(3,372)	(594)
Finance cost	1,966	1,405	3,127	2,357
Amortization of intangible assets	18,073	16,926	36,598	31,884
Depreciation	1,956	1,518	4,082	2,764
Adjusted EBITDA	41,762	27,983	76,796	51,825
Adjusted EBITDA margin	21%	18%	21%	17%

Adjusted net income:

For Q2 2011, Adjusted net income increased by $14 million to $34 million compared to $20 million in Q2 2010, representing an increase of 70%. Adjusted net income margin was 17% in the second quarter of 2011 compared to 13% in the comparable period in 2010. For the first six months of 2010, Adjusted net income increased by $22 million to $61 million compared to $39 million during the same period in 2010, representing an increase of 57%. Adjusted net income margin was 16% in the first six months of 2011, compared to 13% of total revenue for the same period in 2010. The increase in Adjusted net income margin for the three and six months ended June 30, 2011 is largely due to an improvement in our Adjusted EBITDA margin percentage. 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 June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 195,099	$ 153,545	$ 372,731	$ 298,391
Net income	58,599	2,322	122,828	10,353
Add back:				
Amortization of intangible assets	18,073	16,926	36,598	31,884
Deferred income tax expense (recovery)	(43,165)	411	(98,877)	(3,666)
Adjusted net income	33,507	19,659	60,549	38,571
Adjusted net income margin	17%	13%	16%	13%

Quarterly Results

	Sep. 30 2009	Dec. 31 2009	Mar. 31 2010	Jun. 30 2010	Sep. 30 2010	Dec. 31 2010	Mar. 31 2011	Jun. 30 2011
	Quarter Ended ($000, except per share amounts)							
	Note 1	Note 1	Note 2	Note 2	Note 1	Note 1	Note 2	Note 2
Revenue	107,279	131,894	144,846	153,545	162,814	171,468	177,632	195,099
Net Income (loss)	2,715	(10)	8,031	2,322	14,211	17,893	64,229	58,599
Net Income per share								
Basic	0.13	(0.00)	0.38	0.11	0.67	0.85	3.03	2.77
Diluted	0.13	(0.00)	0.38	0.11	0.67	0.84	3.03	2.77

Note 1 - The quarterly information is presented in accordance with GAAP.
Note 2 - The quarterly information is presented in accordance with IFRS.

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 one-time expenditures or gains which may include bargain purchase gains and loss (gain) on the sale of short-term investments, 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') for gross cash consideration of $3 million. The purchase price was a small percentage of PTS' annualized revenues, reflecting its recent history of negative cash flows. 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 flow from operations of PTS until such time as it becomes consistently cash flow positive.

Management believes cash flow from operations is useful supplemental information about the performance of the underlying business as certain purchase price adjustments and purchase contract accounting under IFRS may result in reported earnings that differ materially from cash flow from operations. A significant amount of working capital was acquired with the PTS business which may have a material positive impact on cash flow from operations should we be able to reduce the level of working capital required in the business.

Cash flow 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. In 2010, PTS contributed $13 million in cash flow from operations. In the first six months of 2011, cash flow from operations was negative; however, in the second half of 2011, we expect cash flow from operations to be positive. For the full year 2011, we expect cash flow from operations for PTS to be close to breakeven, however, this is contingent upon the receipt of significant milestone payments associated with customer contracts in the last quarter of the year.

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

As part of the PTS acquisition, Constellation also assumed certain long-term contracts that contain contingent liabilities which may, but in management's opinion are unlikely to, exceed $2 million in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by PTS. The contingent liabilities represent the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

Supplemental Financial Information for PTS

The table below provides certain supplemental statement of comprehensive income and cash flow information regarding PTS for the three and six months ended June 30, 2011. 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 flow from operations of each business. Management believes cash flow 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.

Statements of Operations
For the three and six months ended June 30, 2011

	For the three months ended June 30, 2011			For the six months ended June 30, 2011		
(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Revenue	$ 159,593	$ 35,506	$ 195,099	$ 304,729	$ 68,002	$ 372,731
Expenses	124,316	29,021	153,337	239,824	56,111	295,935
Adjusted EBITDA	35,277	6,485	41,762	64,905	11,891	76,796
EBITDA as % Total Revenue	22%	18%	21%	21%	17%	21%
Depreciation	1,635	321	1,956	3,243	839	4,082
Amortization of intangible assets	18,073	-	18,073	36,598	-	36,598
Other expenses (income), net	(803)	1,633	830	1,401	2,287	3,688
	18,905	1,954	20,859	41,242	3,126	44,368
Income before income taxes	16,372	4,531	20,903	23,663	8,765	32,428
Income tax expense (recovery)	(38,669)	973	(37,696)	(91,980)	1,580	(90,400)
Net Income	$ 55,041	$ 3,558	$ 58,599	$ 115,643	$ 7,185	$ 122,828

Cash flows from operating activities
For the three and six months ended June 30, 2011

	For the three months ended June 30, 2011			For the six months ended June 30, 2011		
(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Cash flows from operating activities:						
Net income	$ 55,041	$ 3,558	$ 58,599	$ 115,643	$ 7,185	$ 122,828
Adjustments to reconcile net income to net cash flows from operations:						
Depreciation	1,635	321	1,956	3,243	839	4,082
Amortization of intangible assets	18,073	-	18,073	36,598	-	36,598
Income tax expense (recovery)	(38,669)	973	(37,696)	(91,980)	1,580	(90,400)
Other non-cash items	(774)	1,604	830	1,446	2,242	3,688
Change in non-cash operating working capital	(17,663)	(11,909)	(29,572)	(17,628)	(25,320)	(42,948)
Income taxes paid	(3,323)	(1,026)	(4,349)	(5,041)	(1,687)	(6,728)
Cash flows from operating activities	$ 14,320	$ (6,479)	$ 7,841	$ 42,281	$ (15,161)	$ 27,120

Adjusted EBITDA to net income reconciliation
For the three and six months ended June 30, 2011

	For the three months ended June 30, 2011			For the six months ended June 30, 2011		
(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Total revenue	$ 159,593	$35,506	$ 195,099	$ 304,729	$ 68,002	$ 372,731
Net income	55,041	3,558	58,599	115,643	7,185	122,828
Add back:						
Income tax expense	(38,669)	973	(37,696)	(91,980)	1,580	(90,400)
Other expenses, net	(803)	1,633	830	1,401	2,287	3,688
Amortization of intangible assets	18,073	-	18,073	36,598	-	36,598
Depreciation	1,635	321	1,956	3,243	839	4,082
Adjusted EBITDA	35,277	6,485	41,762	64,905	11,891	76,796
Adjusted EBITDA margin	22%	18%	21%	21%	17%	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 MAJES acquisition, Constellation also assumed certain long-term customer contracts that contain contingent liabilities that may, but in management's opinion are unlikely to, exceed $13.5 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 maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

In February 2011, a subsidiary of the Company and MAXIMUS received a letter from a customer initiating a dispute resolution process under the customer's contract. The customer alleges that the subsidiary of Constellation and MAXIMUS failed to observe the most favoured customer pricing terms of the contract and also raised a number of issues pertaining to services and products delivered under the contract. The customer alleges total damages of approximately $30 million. The subsidiary of the Company and the seller of the MAJES assets plan to contest all of the customer's claims. The contract with the customer has a $9 million limitation of liability clause that the Company believes will apply to all of the claims in the letter. The subsidiary of the Company also believes that it is entitled to indemnification from MAXIMUS in respect of certain of the claims made by the customer.

The Company previously provided supplemental financial information on MAJES. MAJES is not considered a reportable operating segment of Constellation; however, management chose to provide certain supplemental financial information to provide greater clarity into the operating performance and cash flow from operations of the business. The Company has decided not to provide supplemental financial information on MAJES going forward as the business is now fully integrated with the Company.

Liquidity

Our net cash position (cash less bank indebtedness) at June 30, 2011 decreased to negative $72 million, from negative $15 million at December 31, 2010. Borrowings on our line of credit increased by $56 million and cash decreased by $1 million.

Total assets increased $135 million, from $548 million at December 31, 2010 to $683 million at June 30, 2011. The majority of the increase can be explained by increase in deferred tax assets of $80 million resulting from the intercompany transfer of intellectual property and the inter-jurisdictional migration of entities within the Company (See "Income Taxes" discussion above), an increase in intangible assets and goodwill of $24 million due to acquisitions completed since the beginning of the year, and by an increase in accounts receivable/inventory/work in progress of $23 million.

Current liabilities increased $72 million, from $330 million at December 31, 2010 to $402 million at June 30, 2011. The majority of the increase can be explained by an increase in borrowings on our line of credit of $56 million and an increase in deferred revenue of $28 million, primarily due to acquisitions and the timing of billings versus revenue recognized. The increase was offset by a reduction in accounts payable and accrued liabilities of $17 million primarily resulting from the payment of the 2010 bonus during fiscal 2011.

Net Changes in Cash Flows	**Six months ended June 30, 2011**
	(in millions of $)
Net cash provided by operating activities	$27
Net cash provided by financing activities	11
Net cash used in investing activities	(36)
Effect of currency translation on cash	(3)
Net decrease in cash and cash equivalents	$(1)

The net cash flow from operating activities was $27 million for the six months ended June 30, 2011. The $27 million provided by operating activities resulted from $123 million in net income, less $46 million of non-cash add backs to net income, $43 million of cash used by changes in our non-cash operating working capital and $7 million in taxes paid.

The net cash flow from financing activities in the six months ended June 30, 2011 was $11 million. $42 million was used in March 2011 to pay a dividend of $2.00 per share, $56 million was drawn from our bank facility and $3 million was used to pay interest on the bank loan.

The net cash used in investing activities in the six months ended June 30, 2011 was $36 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $33 million (including payments for holdbacks relating to prior acquisitions) and due to $4 million in additions to property and equipment.

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

Capital Resources and Commitments

We have a $160 million credit facility that is collateralized by substantially all of our assets including the assets of the majority of our material Canadian and U.S. subsidiaries. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries. As of June 30, 2011, we had drawn $102 million on this facility.

Commitments include operating leases for office equipment and facilities, bank guarantees, 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 “earn out” payments based on the future performance of the acquired business. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in unconsolidated companies (aside from our shareholdings in publicly traded companies included in our securities available for sale and other equity investments included in other assets) that would have a significant effect on our assets and liabilities as at June 30, 2011.

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. Currently, we do not use hedging techniques to mitigate such currency risks. We cannot predict the effect of foreign exchange losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue/expenses, as applicable, for the three and six month period ended June 30, 2011:

	Three Months Ended June 30,2011		Six Months Ended June 30, 2011	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	65%	52%	65%	52%
CAD	10%	22%	10%	23%
GBP	13%	12%	13%	12%
CHF	1%	9%	1%	8%
EURO	7%	2%	7%	1%
Others	4%	3%	4%	4%
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, bank guarantees, and letters of credit, all of our liabilities and commitments are reflected on our balance sheet.

Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year. In addition, as disclosed in the Company’s press release dated April 4, 2011, the Board of

Directors is currently undertaking a review of strategic alternatives for the Company with the objective of enhancing shareholder value. There is no defined timeline for this strategic review and there can be no assurance that this review will result in any specific action.

Changes in Accounting Policies

In February 2008, the Canadian Accounting Standards Board announced the mandatory adoption of IFRS for publicly accountable entities in Canada for fiscal periods beginning on or after January 1, 2011. Accordingly, this is the second quarter in which we have provided unaudited consolidated quarterly financial information in accordance with IFRS, including comparative figures for 2010.

The Company has adopted IFRS effective January 1, 2010 ("the transition date") and has prepared its opening IFRS balance sheet as of that date. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements of the Company that comply with IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 18 of the Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2011. This note includes reconciliations from Canadian GAAP to IFRS of equity and comprehensive income of the comparative periods and of equity at the date of transition.

Recent Accounting Pronouncements

IFRS 7, Financial Instrument: Disclosures

In October 2010, the IASB amended IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). This amendment enhances the disclosure requirements for transfers of financial assets that result in derecognition. This amendment is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2012. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 9, Financial Instruments:

In October 2010, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 10, Consolidated Financial Statements:

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"). IFRS 10, which replaces the consolidation requirements of SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 11, Joint Arrangements:

In May 2011, the IASB issued IFRS 11, Joint Arrangements ("IFRS 11"). IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities:

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 13, Fair Value Measurement:

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 establishes new guidance on fair value measurement and disclosure requirements. The standard completes the IASB's project to converge fair value measurement in IFRS and United States Generally Accepted Accounting Principles. This new standard is effective for the Company’s interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IAS 1, Presentation of Financial Statements:

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements ("IAS 1"). This amendment retains the ‘one or two statement’ approach at the option of the entity and only revises the way other comprehensive income is presented. This new standard is effective for the Company’s interim and annual consolidated financial statements commencing July 1, 2012. The Company is assessing the impact of this new standard on its consolidated financial statements.

Share Capital

As at August 3, 2011, there were 21,191,530 total shares outstanding comprised of 17,503,530 common shares and 3,688,000 class A non-voting shares.

Outlook

For fiscal 2011, we expect gross revenue to be in the range of $755 million to $775 million and we expect Adjusted EBITDA to be in the range of $155 million to $170 million. The gross revenue and Adjusted EBITDA outlook for 2011 increased from the previous outlook provided primarily due to acquisitions completed in Q2 2011 and due to better than expected organic growth achieved in Q2 2011.

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 20%-23% for fiscal 2011, which includes the impact of all companies acquired to date and organic growth consistent with the recent performance of the Company;

2. Adjusted EBITDA margins will be in the range of 20-22% for fiscal 2011, which represents a slight increase over the recent performance of the Company;

3. no material acquisitions will be completed during the remainder of fiscal 2011; and

4. general economic and market conditions will remain consistent with those in effect on August 3, 2011.

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, 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, 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 fiscal 2011. Readers are cautioned that such information may not be appropriate for other purposes.

See "Forward Looking Statements" and "Risks and Uncertainties".

Risks and Uncertainties

The statements included under "Outlook" above are subject to several risks and uncertainties, including the following: our quarterly revenues and operating results may fluctuate; any failure to manage our growth through acquisitions effectively or integrate other businesses we acquire may lead to a disruption in our operations and adversely affect our operating results; and we may acquire contingent liabilities through acquisitions, or our assessments of existing contingent liabilities could change which could adversely affect our operating results. A complete description of the risks and uncertainties affecting the Company is included in the most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At June 30, 2011, 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 respecting certification of disclosure in issuers' interim filings, the President and Chief Financial Officer have designed or caused it to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that (i) information required to be disclosed by the Company in its quarterly filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

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

The President and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the six-month period ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.