CONSTELLATION SOFTWARE INC.

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

The following discussion of the financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements, which we prepared in accordance with Canadian 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 the Company, including our most recently filed Annual Information Form ('AIF'), is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve known and unknown 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, March 5, 2008. 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-GAAP Measures

This MD&A includes certain measures which have not been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") 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 interest, taxes, depreciation, amortization, appreciation in common shares eligible for redemption, other expenses and foreign exchange, and before including gain on sale of short-term investments, marketable securities and other assets. 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.

The term ''Adjusted net income'' means net income plus appreciation in common shares eligible for redemption and amortization of intangible assets. 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 appreciation in common shares eligible for redemption (which is no longer included in net income for periods following the closing of our IPO) and prior to taking into consideration amortization of intangibles as these are non-cash expenses that do not necessarily reflect the economic value of our acquisitions. ''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 GAAP 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 GAAP as an indicator of the financial performance of the Company or as a measure of the Company's liquidity and cash flows. 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, and professional service fees. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under single-year, multiple-year or perpetual arrangements in which the fair value of the license fee is separately determinable from maintenance and/or professional service fees. Maintenance revenue consists of fees charged for customer support on our software products post-delivery. Maintenance fee arrangements generally include ongoing customer support and rights to certain product updates "if and when available" and products sold on a subscription basis. Professional service revenue consists of fees charged for product training, consulting and implementation services. Our customers typically purchase a combination of software, maintenance and professional services, although the types, mix and quantity of each solution varies by customer and by product.

Cost of revenue consists primarily of the costs directly related to revenues including third party costs and internal costs related to the delivery of professional services and maintenance. Cost of revenue is generally expected to increase in the future as a result of increases in revenue.

Research and development expenses include personnel and related costs associated with our research and development efforts.

Sales and marketing expenses consist primarily of personnel and related costs associated with our sales and marketing functions, including advertising, commissions, trade shows and other promotional materials.

General and administration expenses include personnel and related costs associated with the administration of our business, rental of office space, legal and professional fees and insurance.

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

	Three months ended Dec. 31,		Period-Over-Period Change		Fiscal year ended Dec. 31,		Period-Over-Period Change		Fiscal year ended Dec. 31,
	2007	2006	$	%	2007	2006	$	%	2005
Revenue	**66,068**	**53,519**	**12,549**	**23.4%**	**243,023**	**210,759**	**32,264**	**15.3%**	**165,362**
Cost of Revenue	25,208	20,296	4,912	24.2%	92,113	81,970	10,143	12.4%	64,216
Gross Profit	40,860	33,223	7,637	23.0%	150,910	128,789	22,121	17.2%	101,146
Expenses									
Research and development	10,066	7,944	2,122	26.7%	36,965	32,821	4,144	12.6%	25,043
Sales and marketing	7,574	6,308	1,266	20.1%	28,666	25,942	2,724	10.5%	22,007
General and administration	12,684	10,580	2,104	19.9%	44,127	39,183	4,944	12.6%	30,608
Total Expenses (pre amortization)	30,324	24,832	5,492	22.1%	109,758	97,946	11,812	12.1%	77,658
Adjusted EBITDA	**10,536**	**8,391**	**2,145**	**25.6%**	**41,152**	**30,843**	**10,309**	**33.4%**	**23,488**
Depreciation	706	787	(81)	-10.3%	3,117	2,943	174	5.9%	2,547
Total Expenses	31,030	25,619	5,411	21.1%	112,875	100,889	11,986	11.9%	80,205
Income before the undernoted	**9,830**	**7,604**	**2,226**	**29.3%**	**38,035**	**27,900**	**10,135**	**36.3%**	**20,941**
Appreciation in common shares eligible for redemption	0	0	0	NA	0	10,093	(10,093)	-100.0%	4,528
Amortization of intangible assets	7,419	5,143	2,276	44.3%	22,364	17,090	5,274	30.9%	12,170
Other expenses	(56)	0	(56)	NA	14	1,970	(1,956)	-99.3%	109
Gain on sale of short-term investments, marketable securities and other assets	(15)	(278)	263	NA	(1,369)	(286)	(1,083)	378.7%	(658)
Interest expense (income)	(108)	(199)	91	-45.7%	(508)	(286)	(222)	77.6%	(754)
Foreign exchange loss	424	(484)	908	-187.6%	2,466	(595)	3,061	-514.5%	1,552
Income (loss) before income taxes	2,166	3,422	(1,256)	-36.7%	15,068	(86)	15,154	NA	3,994
Income taxes (recovery)									
Current	224	(395)	619	-156.7%	4,273	1,421	2,852	200.7%	3,335
Future	302	(15)	317	-2113.3%	(315)	(271)	(44)	16.2%	138
	526	(410)	936	-228.3%	3,958	1,150	2,808	244.2%	3,473
Net income (loss)	**1,640**	**3,832**	**(2,192)**	**-57.2%**	**11,110**	**(1,236)**	**12,346**	**NA**	**521**
Adjusted net income	**9,059**	**8,975**	**84**	**0.9%**	**33,474**	**25,947**	**7,527**	**29.0%**	**17,219**
Weighted avg # of shares outstanding (000's)									
Basic	21,110	21,056			21,110	20,810			19,952
Diluted	21,192	21,192			21,192	21,065			20,392
Net income (loss) per share									
Basic	$ 0.08	$ 0.18	$ (0.10)	-55.6%	$ 0.53	$ (0.06)	$ 0.59	NA	$ 0.03
Diluted	$ 0.08	$ 0.18	$ (0.10)	-55.6%	$ 0.52	$ (0.06)	$ 0.58	NA	$ 0.03
Adjusted EBITDA per share									
Basic	$ 0.50	$ 0.40	$ 0.10	25.0%	$ 1.95	$ 1.48	$ 0.47	31.8%	$ 1.18
Diluted	$ 0.50	$ 0.40	$ 0.10	25.0%	$ 1.94	$ 1.46	$ 0.48	32.9%	$ 1.15
Adjusted net income per share									
Basic	$ 0.43	$ 0.43	$ -	0.0%	$ 1.59	$ 1.25	$ 0.34	27.2%	$ 0.86
Diluted	$ 0.43	$ 0.42	$ 0.01	2.4%	$ 1.58	$ 1.23	$ 0.35	28.5%	$ 0.84

Comparison of the fourth quarter and twelve months ended December 31, 2007 and 2006

Revenue:

Total revenue for the fourth quarter ended December 31, 2007 was $66.1 million, an increase of 23.4%, or $12.6 million, compared to $53.5 million for the comparable period in 2006. For the 2007 fiscal year, total revenues were $243.0 million, an increase of 15.3%, or $32.3 million, compared to $210.8 million in 2006. The increase for both the fourth quarter and the full year compared to the same periods in the prior year, were largely attributable to growth from acquisitions, as organic growth from our existing business was estimated at approximately 4% for the fourth quarter and 1% for the full year. The remaining 19% growth for the fourth quarter and 14% for the full year is due to acquisitions completed since the beginning of 2006.

Software license revenue for the quarter ended December 31, 2007 increased by 12.3%, or $0.8 million to $7.4 million, from $6.6 million for the same period in 2006. During the twelve months ended December 31, 2007, license revenue decreased by 0.2% or $0.1 million to $27.9 million, from $28.0 million for the same period in 2006. Professional services and other services revenue for the quarter ended December 31, 2007 increased by 28.4%, or $3.3 million to $14.9 million, from $11.6 million for

the same period in 2006. During the twelve months ended December 31, 2007, services revenue increased by 11.2% or $5.7 million to $57.1 million, from $51.4 million for the same period in 2006. Hardware and other revenue for the quarter ended December 31, 2007 remained flat compared to the same period in 2006. During the twelve months ended December 31, 2007, hardware and other revenue decreased by 1.6% or $0.3 million to $15.6 million, from $15.8 million for the same period in 2006. Maintenance revenues for the quarter ended December 31, 2007 increased by 27.3%, or $8.4 million to $39.3 million, from $30.8 million for the same period in 2006. During the twelve months ended December 31, 2007, maintenance revenue increased by 23.2% or $26.9 million to $142.5 million, from $115.6 million for the same period in 2006. The following table displays the breakdown of our revenue according to revenue type:

	Three months ended Dec. 31,				Fiscal year ended Dec. 31,			
	2007	2006	2007	2006	2007	2006	2007	2006
	($000)		(% of total revenue)		($000)		(% of total revenue)	
Licenses	7,448	6,633	11.3%	12.4%	27,866	27,931	11.5%	13.3%
Professional services and other:								
Services	14,889	11,592	22.5%	21.7%	57,100	51,367	23.5%	24.4%
Hardware and other	4,478	4,453	6.8%	8.3%	15,567	15,822	6.4%	7.5%
Maintenance	39,253	30,841	59.4%	57.6%	142,490	115,639	58.6%	54.9%
	66,068	53,519	100.0%	100.0%	243,023	210,759	100.0%	100.0%

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

The following table displays our revenue by reporting segment and the percentage change for the three and twelve months ended December 31, 2007 compared to the same periods in 2006:

	Three months ended Dec. 31,		Period-Over-Period Change		Fiscal year ended Dec. 31,		Period-Over-Period Change	
	2007	2006	$	%	2007	2006	$	%
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	5,122	3,989	1,133	28.4%	17,705	17,250	455	2.6%
Professional services and other:								
Services	11,185	8,499	2,686	31.6%	42,667	36,002	6,665	18.5%
Hardware and other	3,558	3,336	222	6.7%	11,508	10,933	575	5.3%
Maintenance	23,372	17,842	5,530	31.0%	84,924	64,737	20,187	31.2%
	43,237	33,666	9,571	28.4%	156,804	128,922	27,882	21.6%
Private Sector								
Licenses	2,327	2,645	(318)	-12.0%	10,161	10,681	(520)	-4.9%
Professional services and other:								
Services	3,704	3,092	612	19.8%	14,433	15,365	(932)	-6.1%
Hardware and other	920	1,116	(196)	-17.5%	4,059	4,889	(830)	-17.0%
Maintenance	15,880	13,000	2,880	22.2%	57,566	50,902	6,664	13.1%
	22,831	19,853	2,978	15.0%	86,219	81,837	4,382	5.4%

Public Sector

For the quarter ended December 31, 2007, total revenue in the public sector segment increased 28.4%, or $9.6 million, to $43.2 million, compared to $33.7 million for the quarter ended December 31, 2006. For the twelve months ended December 31, 2007 total revenue increased by 21.6% or $27.9 million, to $156.8 million, compared to $128.9 million for the comparable period in 2006. The increases for both the three and twelve month periods were significant in maintenance and professional services revenue. License fees increased by 28.4% in the fourth quarter and increased by 2.6% for the full year over 2006. Revenue growth from acquired businesses was significant for both the three and twelve month periods as we completed 19 acquisitions since the beginning of 2006 in our public sector segment.

It is estimated that acquisitions contributed approximately $6.6 million to our Q4 2007 revenues and $24.1 million to our revenues in the twelve months ended December 31, 2007. The remaining $3.0 million of revenue growth for Q4 and $3.8 million of revenue growth for the twelve months ended December 31, 2007 in this sector was generated from organic sources. The organic growth was primarily driven by the following:

- **Trapeze operating group** (increase of approximately $1.3 million for Q4 and a decrease $0.1 million for the full year). Trapeze experienced an increase in professional services and maintenance revenues in the quarter primarily due to improvements in their mobile computing and European businesses. For the year, they experienced a decline in licenses and services revenues due to the timings of bookings. This decline was offset in part by a strong increase in maintenance revenues.

- **Harris operating group** (increase of approximately $1.5 million for Q4 and $3.5 million for the full year). Harris had strong sales both to existing clients and to new customers as well as a strong increase in maintenance revenues from completed implementations.

- **Emphasys operating group** (increase of approximately $0.1 million for Q4 and $0.7 million for the full year). The Emphasys organic growth primarily results from continued sales to our existing clients and to new name customers.

Private Sector

For the quarter ended December 31, 2007, total revenue in the private sector segment increased 15.0%, or $3.0 million, to $22.8 million, compared to $19.9 million for the quarter ended December 31, 2006. For the twelve months ended December 31, 2007, total revenue increased by 5.4% or $4.4 million, to $86.2 million, compared to $81.8 million for the comparable period in 2006. Strong growth in maintenance revenue was offset by a decline in both professional services and hardware revenue. Revenue growth from acquired businesses was not as strong as in the public sector as we have only completed six acquisitions since the beginning of 2006 in our private sector segment. It is estimated that acquisitions contributed approximately $3.9 million of revenue growth to our Q4 2007 revenues and $5.9 million of revenue growth to our revenues in the twelve months ended December 31, 2007. Revenues decreased organically by $0.9 million in Q4 2007 and by $1.5 million in the twelve months ended December 31, 2007. The organic revenue decline was driven by the following:

- **Jonas operating group** (increase of approximately $0.4 million for Q4 and $2.1 million for the full year). The Jonas organic growth in 2007 continued to be driven by increasing customer share in the private club vertical through selling add on products, continued international expansion, and through sales to new name customers in the construction vertical.

- **Homebuilder operating group** (decrease of approximately $0.3 million for Q4 and $1.7 million for the full year). Our Homebuilder operating group continued to feel the effects of the housing slowdown in the U.S. The decline was most apparent in licenses and professional services as many of our clients and prospective clients have delayed purchasing decisions.

- **Friedman operating group** (decrease of approximately $1.1 million for Q4 and $1.9 million full year). Friedman (like Homebuilders) is feeling the effects of the building products and housing starts slow down. The decline at Friedman is the result of lower services and licenses revenue offset in part by an increase in maintenance revenues.

Gross Profit by Source:

The following table displays the breakdown of our gross profit by revenue source and as a percentage of total revenue:

	Three months ended Dec. 31,				Fiscal year ended Dec. 31,			
	2007	2006	2007	2006	2007	2006	2007	2006
			($000)				($000)	
Gross profit licenses	92.3%	91.7%	6,876	6,084	91.3%	92.5%	25,443	25,825
Gross profit services & maintenance	60.6%	60.6%	32,824	25,734	61.2%	60.0%	122,219	100,143
Gross profit hardware & other	25.9%	31.6%	1,160	1,405	20.9%	17.8%	3,248	2,821
Gross profit on total revenue	61.8%	62.1%	40,860	33,223	62.1%	61.1%	150,910	128,789

Gross profit increased for the quarter ended December 31, 2007 to $40.9 million, or 61.8% of total revenue, from $33.2 million, or 62.1% of total revenue, for the quarter ended December 31, 2006. The increase in gross margin dollars is attributable to the overall increase in total revenue while the decrease in gross margin percentage can be attributed to a decrease in gross profit from hardware and other. For the full year, our gross profit increased to $150.9 million or 62.1% of total revenue, from $128.8 million or 61.1% of total revenue for the comparable period in 2006. The increase in gross margin dollars is attributable to the overall increase in total revenue while the increase in gross margin percentage can be attributed to the revenue mix as we experienced a greater increase in our higher margin maintenance revenue in 2007. Our licenses, services and maintenance revenue margins experienced minimal change vs. 2006 in both the three and twelve month periods. Our hardware and other revenue margins continued to strengthen in the twelve months ended December 31, 2007 as we realized stronger margins in our hardware and forms businesses. Hardware and other revenue margins can fluctuate significantly, given the relatively small size of this category and the numerous third party items included in hardware and other. Management believes there could be significant fluctuations in gross profit margins for future periods if we experience a significant shift in our revenue mix.

Operating Expenses:

The following table displays the breakdown of our operating expenses by category:

	Three months ended Dec. 31,		Period-Over-Period Change		Fiscal year ended Dec. 31,		Period-Over-Period Change	
	2007	2006	$	%	2007	2006	$	%
	($000, except percentages)				($000, except percentages)			
Research and development	10,066	7,944	2,122	26.7%	36,965	32,821	4,144	12.6%
Sales and marketing	7,574	6,308	1,266	20.1%	28,666	25,942	2,724	10.5%
General and administration	12,684	10,580	2,104	19.9%	44,127	39,183	4,944	12.6%
Depreciation	706	787	(81)	-10.3%	3,117	2,943	174	5.9%
	31,030	25,619	5,411	21.1%	112,875	100,889	11,986	11.9%

Overall operating expenses for the quarter ended December 31, 2007 increased 21.1%, or $5.4 million, to $31.0 million, compared to $25.6 million over the same period in 2006. As a percentage of total revenue, operating expenses decreased from 47.9% in the quarter ended December 31, 2006 to 47.0% in the quarter ended December 31, 2007. During the twelve months ended December 31, 2007, operating expenses increased 11.9%, or $12.0 million, to $112.9 million, compared to $100.9 million over the same period in 2006. As a percentage of total revenue, operating expenses decreased from 47.9% in the twelve months ended December 31, 2006 to 46.4% in the twelve months ended December 31, 2007. The growth in expenses is primarily due to the growth in the number of employees, as the vast majority of our operating expenses are headcount-related. Our average employee count associated with operating expenses grew 15.1% from 667 in the quarter ended December 31, 2006 to 768 in the quarter ended December 31, 2007. In addition to the increased headcount in Q4, there was a higher bonus accrual driven by higher period over period revenue growth rates in 2007 versus 2006 as well as an increase in overall expenses due to the appreciation of the Canadian dollar over Q4 2006. During the twelve months ended December 31, 2007, headcount associated with operating expenses was up 10.9% to

an average headcount of 737 compared to an average of 665 during the same period in 2006. Strengthening of the Canadian dollar vs. the US dollar contributes to the growth in operating expenses (as we estimate that approximately 40%of our total expenses, including costs of goods sold, are originated in Canadian dollars). The average exchange rate for the Canadian dollar changed significantly in the periods being measured, as evidenced by a 16% increase in Q4 2007 vs. Q4 2006 and a 6% increase for the comparable twelve month periods.

Research and development – Research and development expenses increased 26.7%, or $2.1 million, to $10.0 million for the quarter ended December 31, 2007 compared to $7.9 million for the same period in 2006. As a percentage of total revenue, research and development expense increased to 15.2% in Q4 2007 from 14.8% in Q4 2006. During the twelve months ended December 31, 2007, research and development expense increased 12.6%, or $4.1 million, to $37.0 million, compared to $32.8 million over the same period in 2006. As a percentage of total revenue, research and development decreased from 15.6% in the twelve months ended December 31, 2006 to 15.2% in the twelve months ended December 31, 2007. The increase in expenses during the quarter and twelve months ended December 31, 2007 is largely attributable to our growth in headcount from both acquisitions and internal hiring. For Q4 2007, we averaged 429 staff compared to 367 in the same period in 2006 (410 vs. 365 for the comparable twelve month periods).

We currently do not have any capitalized software development costs. All of our software development costs are expensed as incurred unless they meet Canadian generally accepted accounting criteria for deferral and amortization. Software development costs incurred prior to the establishment of technological feasibility do not meet these criteria, and are expensed as incurred. Capitalized costs would be amortized over the estimated benefit period of the software developed. No costs were deferred in the fourth quarter or twelve months ended 2007 as most projects did not meet the criteria for deferral and, for those projects that met these criteria, the period between achieving technological feasibility and the completion of software development was minimal, and the associated costs immaterial.

Sales and marketing – Sales and marketing expenses increased 20.1%, or $1.3 million to $7.6 million, in the quarter ended December 31, 2007 compared to $6.3 million for the same period in 2006. As a percentage of total revenue, sales and marketing expenses decreased to 11.5% in the quarter ended December 31, 2007 from 11.8% for the same period in 2006. For the twelve months ended December 31, 2007, sales and marketing expenses increased 10.5%, or $2.7 million, to $28.7 million, compared to $25.9 million over the same period in 2006. As a percentage of total revenue, sales and marketing expenses decreased from 12.3% in the twelve months ended December 31, 2006 to 11.8% in the twelve months ended December 31, 2007. The increase in expenses during the quarter and twelve months ended December 31, 2007 is largely attributable to our growth in headcount from both acquisitions and internal hiring. For Q4 2007, we averaged 174 staff compared to 153 in the same period in 2006 (168 vs. 154 for the comparable twelve month periods).

General and administration – General and administration ("G&A") expenses increased 19.9%, or $2.1 million, to $12.7 million in the quarter ended December 31, 2007 from $10.6 million for the same period in 2006. As a percentage of total revenue, G&A expenses decreased to 19.2% in Q4 2007 from 19.8% in Q4 2006. For the twelve months ended December 31, 2007, G&A increased 12.6%, or $4.9 million, to $44.1 million, compared to $39.2 million over the same period in 2006. As a percentage of total revenue, G&A decreased from 18.6% in the twelve months ended December 31, 2006 to 18.2% in the twelve months ended December 31, 2007. The dollar value increase was mainly attributable to increases in headcount in 2007 as compared to the same period in 2006. Average headcount for G&A employees grew from 146 staff in Q4 2006 to 166 for Q4 2007. For the twelve months ended December 31, 2007, average headcount grew to 159 staff from 146 staff over the same period in 2006.

Depreciation of property and equipment – Depreciation of property and equipment for the quarter and twelve months ended December 31, 2007 did not change materially. As a percentage of total revenue, depreciation was 1.1% in Q4 2007 compared to 1.5% in Q4 2006. For the twelve month periods the percentages were 1.3% in 2007 vs. 1.4% in 2006.

Non-Operating Expenses:

The following table displays the breakdown of our non-operating expenses by category.

	Three months ended Dec. 31,		Period-Over-Period Change		Fiscal year ended Dec. 31,		Period-Over-Period Change	
	2007	2006	$	%	2007	2006	$	%
	($000, except percentages)				($000, except percentages)			
Appreciation in common shares eligible for redemption	0	0	0	NA	0	10,093	(10,093)	NA
Amortization of intangible assets	7,419	5,143	2,276	44.3%	22,364	17,090	5,274	30.9%
Other expenses (income)	(53)	0	(53)	NA	14	1,970	(1,956)	NA
Gain on sale of short term investments, marketable securities and other assets	(18)	(278)	260	NA	(1,369)	(286)	(1,083)	378.7%
Interest expense (income)	(108)	(199)	91	-45.7%	(508)	(286)	(222)	77.6%
Foreign exchange loss	424	(484)	908	-187.6%	2,466	(595)	3,061	-514.5%
Income tax expense	526	(410)	936	-228.3%	3,958	1,150	2,808	244.2%
	8,190	3,772	4,418	117.1%	26,925	29,136	(2,211)	-7.6%

Appreciation in Common Shares eligible for redemption – As highlighted in our prospectus dated May 11, 2006, with the completion of our initial public offering ("IPO"), the redemption rights on the common shares eligible for redemption were terminated, thus we incurred no charge in the fourth quarter or twelve months ended 2007 with respect to appreciation in common shares eligible for redemption. Further we do not expect to incur these charges in the future. The historical expense of $10.1 million in Q1 2006 for appreciation in common shares eligible for redemption was a result of the rights of certain shareholders (contained in shareholder agreements) to force the Company to redeem their common shares. In conjunction with pronouncements from the Canadian Institute of Chartered Accountants ("CICA"), we were required to classify all common shares subject to such shareholder agreements as a debt obligation of the Company. As such, each time our stock was re-valued, we were required to include a charge on our income statement for the related increase in this liability.

Amortization of intangible assets – Amortization of intangible assets was $7.4 million for the quarter ended December 31, 2007 compared to $5.1 million for the same period in 2006, representing an increase of 44.3%. For the twelve months ended December 31, 2007, amortization of intangibles increased 30.9%, to $22.4 million, compared to $17.1 million over the same period in 2006. Both the three and twelve month increases are attributable to the increases in our intangible asset balance (on a cost basis) over the twelve month period ended December 31, 2007 as a result of the acquisitions that we completed during this period.

Other expenses (income) – Other income in the quarter ended December 31, 2007 was $53,000 compared to nil for the same period in 2006. On a twelve month basis, the $2.0 million in other expenses for 2006 relates to the one time costs associated with the IPO ($1.6 million) and our phantom share plan that existed prior to our IPO ($0.4 million).

Gain on sale of short-term investments, marketable securities and other assets - Gains for the quarter and twelve months ended December 31, 2007 were $18,000 and $1.4 million compared to a gain of $278,000 for Q4 2006 and a gain of $286,000 for the twelve months ended December 31, 2006. The gains in 2007 are a result of liquidating a portion of our investment in certain marketable securities. We expect to realize gains or losses on an infrequent basis as our strategic goal is to buy VMS businesses in their entirety and hold them indefinitely. However, occasionally we will acquire an ownership interest that is less than 100% of a publicly traded VMS business and subsequently sell these shares if we cannot acquire a controlling stake, generating either gains or losses. As of December 31, 2007, we had three investments that would have the potential to create such gains or losses. In the future, we may liquidate these holdings if we feel we have a better use for the capital, if our outlook for the businesses changes, or if the market price exceeds our expectations of value.

Interest income – Net interest income was $108,000 for the quarter ended December 31, 2007 compared to $199,000 for the same period in the previous year. For the twelve months ended December 31, 2007, interest income was $508,000 compared to $286,000 in the comparable period for 2006,

representing an increase of 78%. At the end of the second quarter of 2007, we completed an investment in VCG Inc. which will generate approximately $0.1 million per quarter in interest income. Our excess cash balances (to the extent that we have excess cash) will also generate interest income. These sources of interest income will be offset by periodic borrowings on our line of credit to fund acquisitions. As a result, we expect interest income / expense to fluctuate significantly in the future depending upon the timing of acquisitions and the amount we borrow against our line of credit to complete them.

Foreign exchange loss (gain) – Most of our businesses are organized geographically so that 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, 2007, our foreign exchange loss was $424,000 compared to a gain of $484,000 for Q4 2006. For the twelve months ended December 31, 2007, the loss was $2.5 million vs. a gain of $595,000 during the same period in 2006. The significant foreign exchange loss in 2007 is mainly attributable to a 19% increase in the year-end closing rate for the Canadian dollar vs. the US dollar at December 31, 2007 vs. December 31, 2006. As we generally run our business with negative working capital and we had a reasonable amount of our net liabilities denominated in Canadian dollars, when we re-valued Canadian dollar net liabilities to US dollars (our functional currency) at quarter end, we had to record a significant foreign exchange loss in the quarter.

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, 2007, the income tax expense was $526,000, compared to a recovery of $410,000 for the same period in 2006. For the twelve months ended December 31, 2007, the income tax expense was $4.0 million, compared to $1.2 million for the same period in 2006. The significant increase in the tax provision for both the fourth quarter and twelve months ended December 31, 2007 compared to the same periods in 2006 is mainly attributable to lower taxes in 2006 due to a) the finalization of prior period tax returns that resulted in increased loss carry-forwards available to the Company and refunds of taxes paid, b) tax deductions utilized on the redemption of phantom shares, and c) the ability to deduct certain portions of our IPO expenses.

Net Income (Loss)

Net income for the quarter ended December 31, 2007 was $1.6 million compared to net income of $3.8 million for the same period in 2006. On a per share basis this translated into a net income per diluted share of $0.08 in Q4 2007 vs. a net income per diluted share of $0.18 in Q4 2006. Net income in Q4 2007 was negatively impacted by the increase in amortization of intangibles and income tax expense offset by growth in our operations and operating income. For the year ended December 31, 2007, net income was $11.1 million or $0.52 per diluted share compared to a loss of $1.2 million or $0.06 per share in 2006. The net loss for 2006 was a result of the charges for appreciation in common shares eligible for redemption.

Adjusted EBITDA:

For Q4 2007, Adjusted EBITDA increased by $2.1 million to $10.5 million compared to $8.4 million in Q4 2006, representing an increase of 25.6%. Adjusted EBITDA margin was 15.9% in the fourth quarter of 2007, compared to 15.7% of total revenue for the same period in 2006. For the year ended December 31, 2007, Adjusted EBITDA increased by $10.3 million to $41.2 million compared to $30.8 million for the same period in 2006, representing an increase of 33.4%. Adjusted EBITDA margin was 16.9% for the year ended December 31, 2007, compared to 14.6% of total revenue for the same period in 2006. See "Non-GAAP Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

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The following table reconciles Adjusted EBITDA to net income (loss):

	Three months ended Dec. 31,		Fiscal year ended Dec. 31,	
	2007	2006	2007	2006
	($000, except percentages)		($000, except percentages)	
Total revenue	66,068	53,519	243,023	210,759
Net income (loss)	1,641	3,832	11,110	(1,236)
Add back:				
Income tax expense	526	(410)	3,958	1,150
Foreign exchange loss	424	(484)	2,466	(595)
Interest income	(108)	(199)	(508)	(286)
Gain on sale of short-term investments, marketable securities and other assets	(18)	(278)	(1,369)	(286)
Other expenses (income)	(53)	0	14	1,970
Appreciation in common shares eligible for redemption	0	0	0	10,093
Amortization of intangible assets	7,419	5,143	22,364	17,090
Depreciation	706	787	3,117	2,943
Adjusted EBITDA	10,537	8,391	41,152	30,843
Adjusted EBITDA margin	15.9%	15.7%	16.9%	14.6%

Adjusted net income:

For Q4 2007, Adjusted net income increased by $84,000 to $9.1 million compared to $9.0 million in Q4 2006, representing an increase of 0.9%. Adjusted net income margin was 13.7% in the fourth quarter of 2007, compared to 16.8% of total revenue for the same period in 2006. For the year ended December 31, 2007, Adjusted net income increased by $7.5 million to $33.5 million compared to $25.9 million during the same period in 2006, representing an increase of 29.0%. Adjusted net income margin was 13.8% for the year ended December 31, 2007, compared to 12.3% of total revenue for the same period in 2006. See "Non-GAAP 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 Dec. 31,		Fiscal year ended Dec. 31,	
	2007	2006	2007	2006
	($000, except percentages)		($000, except percentages)	
Total revenue	66,068	53,519	243,023	210,759
Net income (loss)	1,641	3,832	11,110	(1,236)
Add back:				
Appreciation in common shares eligible for redemption	0	0	0	10,093
Amortization of intangible assets	7,419	5,143	22,364	17,090
Adjusted net income	9,060	8,975	33,474	25,947
Adjusted net income margin	13.7%	16.8%	13.8%	12.3%

Quarterly Results

	Quarter Ended							
	Mar. 31, 2006	June 30, 2006	Sep. 30, 2006	Dec. 31, 2006	Mar. 31, 2007	Jun. 30, 2007	Sep. 30, 2007	Dec. 31, 2007
	($000, except per share amounts)							
Revenue	51,220	52,211	53,809	53,519	55,893	60,487	60,574	66,068
Net Income (loss)	(8,656)	1,301	2,287	3,831	2,602	3,542	3,326	1,640
Net Income (loss) per share								
Basic	(0.43)	0.06	0.11	0.18	0.12	0.17	0.16	0.08
Diluted	(0.43)	0.06	0.11	0.18	0.12	0.17	0.16	0.08

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 such as: loss (gain) on the sale of short-term investments, marketable securities and other assets, and appreciation in Common Shares eligible for redemption. As noted above, we do not expect to incur appreciation in Common Shares eligible for redemption charges on a go forward basis.

Liquidity

Our cash and cash equivalents position (net of borrowings on our line of credit) at December 31, 2007 decreased to $0.5 million, from $25.8 million at December 31, 2006.

Total assets increased $80.6 million, from $186.6 million at December 31, 2006 to $267.1 million at December 31, 2007. While most asset categories increased, the majority of the increase can be explained by increases in: a) intangible assets and goodwill of $64.6 million due to the 15 acquisitions completed in 2007, b) accounts receivable of $14.5 million which is driven by growth in the business and increases in receivables due to acquisitions, c) prepaid expenses and other current assets of $2.9 million which is driven by the growth in our business and by increased deposits for customer bids, and d) the $4 million investment in VCG Inc. These increases were partially offset by the decrease in cash of $6.0 million.

Current liabilities increased by $57.2 million from $99.1 million as of December 31, 2006, to $156.3 million at December 31, 2007. From an individual category perspective the increases were driven by: a) bank indebtedness up $19.3 million due to acquisitions made in Q4 2007, b) deferred revenue up $22.7 million, consistent with the growth in our maintenance revenues and the acquired deferred revenue, c) accounts payable and accrued liabilities up $6.9 million, consistent with the growth in our revenue and acquired accounts payable and accrued liabilities, d) acquisition holdback payments up $5.6 million, representing the holdbacks on 2007 acquisitions offset by holdbacks paid in the twelve months ended December 31, 2007, and e) income taxes payable up $2.4 million from taxes accrued in the first twelve months of 2007.

Net Changes in Cash Flow	**Twelve months ended December 31, 2007**
	(in millions of $)
Net cash provided by operating activities	$34.9
Net cash used in financing activities	16.4
Net cash used in investing activities	(55.6)
Effect of exchange rate changes on cash and cash equivalents	(1.7)
Net decrease in cash and cash equivalents	($6.0)

The net cash flow from operating activities was $34.9 million for the twelve months ended December 31, 2007. In 2007, we generated free cash flow profits of approximately $37.2 million; however, this was offset by a net increase in our working capital of $2.3 million.

The net cash provided by financing activities in 2007 was $16.4 million. Borrowings on our line of credit generated cash of $19.3 million and the repayment of shareholder loans a further $0.7 million. This was offset by the payment of our annual dividend of $0.15 per share for cash usage of $3.2 million, and the issuance of shareholder loans of $0.4 million.

The net cash used in investing activities was due primarily to acquisitions completed in the period ended December 31, 2007 for an aggregate of $56.3 million (including payments for holdbacks relating to prior acquisitions and the investment in VCG Inc.). We also invested approximately $3.0 million in property and equipment. These amounts were partially offset by cash generated from the sale of marketable securities of $4.1 million and the application of our restricted cash to fund acquisitions.

We believe we have more than sufficient cash and cash equivalents 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 obtained a $50 million credit facility in the fourth quarter of 2007 that is collateralized by substantially all of our assets including the assets of the majority of our Canadian and U.S. subsidiaries. Certain other subsidiaries also guarantee this facility. The $50 million facility replaces a previous $20 million facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries. As of December 31, 2007, we had drawn $19.3 million on this facility and issued letters of credit for $7.2 million which limits our borrowing capacity dollar for dollar.

Commitments include operating leases for office equipment and facilities, letters of credit, bank guarantees, and performance bonds that are routinely 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 VMS 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 short term investments and our investment in VCG Inc.) that would have a significant effect on our assets and liabilities as at December 31, 2007.

	Total	< 1 Yr	1-3 Yrs	3-5 yrs	>5 yrs
Operating and capital leases (note 1)	24,124	6,780	8,604	4,682	4,058
Holdbacks	11,442	10,442	1,000	–	–
Total outstanding cash commitments	35,566	17,222	9,604	4,682	4,058

Note 1. Capital leases represent less than 2% of the total.

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.

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases, bank guarantees, letters of credit and other low probability and/or contingent liabilities which we cannot reasonably estimate the outcome (not accrued in accordance with Canadian GAAP), all of our commitments are reflected on our balance sheet.

Transactions with Related Parties

Aside from our Key Employee Loan Program ("KELP"), we had no material related party transactions during 2007. The outstanding balance of loans granted under the KELP as of December 31, 2007 was $1.9 million as compared to $2.1 million as of December 31, 2006.

Proposed Transactions

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

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 1 to our consolidated financial statements which are available on SEDAR (www.sedar.com). We did not change our accounting policies or initially adopt new or different accounting policies during the year ended December 31, 2007, except as follows: On January 1, 2007 we adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook (CICA Handbook) Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation*; Section 3865, *Hedges*; and Section 3251, *Equity* and CICA Handbook Section 1506, "*Accounting changes*".

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 consists primarily of software license fees, maintenance fees, and professional service fees. Maintenance and service revenue is comprised of professional services revenue from consulting, implementation and training services related to our products and maintenance and technical support, which also includes certain software upgrades and enhancements. We recognize revenue in accordance with the current rules of Canadian GAAP. Revenue recognition requirements are very complex and are affected by interpretations of the rules and industry practices, both of which are subject to change. We follow specific and detailed guidelines in measuring revenue; however, certain judgments and current interpretations of rules and guidelines affect the application of our revenue recognition policy.

Software license revenue is comprised of license fees charged for the use of our software products generally licensed under single-year, multiple-year or perpetual arrangements in which the fair value of the license fee is separately determinable from maintenance and/or professional service fees. For license arrangements that do not require significant modifications or customization of the software, we recognize software license revenue when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed or determinable, and collection of the resulting receivable is probable.

One of the critical judgments we make is our assessment of the probability of collecting the related accounts receivable balance on a customer-by-customer basis. As a result, the timing or amount of revenue recognition may have been different if different assessments of the probability of collection had been made at the time that the transactions were recorded in revenue. In cases where collectibility is not deemed probable, revenue is recognized upon receipt of cash, assuming all other criteria have been met.

When a license agreement includes one or more elements to be delivered at a future date and vendor specific objective evidence (''VSOE'') of the fair value of all undelivered elements exists, we use the residual method to recognize revenue. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue. If evidence of the fair value of one or more undelivered elements does not exist, all revenue is deferred and recognized when delivery of those elements occurs or when fair value can be established. VSOE for all elements of an arrangement is based upon the normal pricing and discounting practices for those elements when sold separately, and, for maintenance services, may additionally be measured by the renewal rate. We are required to exercise judgment in determining whether VSOE exists for each undelivered element and to determine whether and when each element has been delivered. If we were to change any of these assumptions or judgments, it could cause a material increase or decrease in the amount of revenue that we recognize in a particular period.

Maintenance revenue consists of fees charged for customer support on our software products post-delivery, which are determinable based upon VSOE of the fair value. Maintenance fee arrangements include ongoing customer support and rights to certain product updates ''if and when available''. Customer payments for maintenance are generally received in advance and are non-refundable. Maintenance revenue is deferred and recognized on a straight-line basis over the life of the related period, which is typically one year.

Professional service revenue consists of fees charged for product training and consulting and implementation services, which are determinable based upon VSOE of the fair value. When license arrangements include maintenance and professional services, the license fees are recognized upon delivery, provided that (1) the criteria described above for delivery have been met, (2) payment of the license fees is not dependent upon the performance or acceptance of the services, (3) the services are not essential to the functionality of the software, and (4) VSOE exists on the undelivered services and maintenance. We use VSOE of the fair value for the services and maintenance to account for an arrangement using the residual method, regardless of any separately stated prices within the contract for each element. Revenue for services is recognized as the services are performed. VSOE of their fair value of professional services is based upon the average hourly rate charged when such services are sold separately. When we enter into contracts to provide services only, revenue is recognized as the services are performed. Fixed price professional services contracts are recognized on a proportional performance

basis as determined by the relationship of contract costs incurred to date and the estimated total contract costs, which are regularly reviewed during the life of the contract, subject to the achievement of any agreed upon milestones. In the event that a milestone has not been achieved, the associated cost is deferred and revenue is not recognized until the customer has accepted the milestone.

Revenue from fixed price professional service contracts is recognized on a proportional performance basis, which requires us to make estimates and is subject to risks and uncertainties inherent in projecting future events. A number of internal and external factors can affect our estimates, including the nature of the services being performed, the complexity of the customer's environment and the utilization and efficiency of our professional services employees. Recognized revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts that give rise to the revision become known. If we do not have a sufficient basis to estimate the progress towards completion, revenue is recognized when the project is complete or when we receive final acceptance from the customer.

For arrangements that do not meet the criteria described above, both license revenues and professional services revenues are recognized using the percentage-of-completion method where reasonably dependable estimates of progress toward completion of a contract can be made. We estimate the percentage-of-completion on contracts utilizing costs incurred to date as a percentage of the total costs at project completion. Recognized revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to earnings in the period in which the facts that give rise to the revision become known. It should be noted that a significant amount of our license and professional services revenue are recognized under the percentage of completion method.

Valuation of Identifiable Goodwill and Other Intangible Assets

We account for our business acquisitions under the purchase method of accounting. The total cost of an acquisition is allocated to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we must identify and attribute values and estimated lives to the intangible assets acquired. While we may employ experts to assist us with these matters, such determinations involve considerable judgment, and often involve the use of significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, and asset lives. These determinations will affect the amount of amortization expense recognized in future periods.

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.

Goodwill is tested for impairment at the ''reporting unit level'' (''reporting unit'') in accordance with the CICA Handbook Section 3062, ''Goodwill and Other Intangible Assets.'' A ''reporting unit'' is a group or business for which discrete financial information is available and that has similar economic characteristics. Our impairment review process compares the fair value of the reporting unit to its carrying value, including the goodwill related to the reporting unit. To determine the fair value, our review process uses the cash flow method and is based on a discounted future cash flow approach that utilizes estimates for the reporting units that include the following: revenue, based on expected growth rates; estimated costs; and appropriate discount rates. Significant management judgment is required in the forecasting of future operating results, which are used in the preparation of the projected discounted cash flows. Should different conditions prevail, material write-downs of goodwill could occur.

We also review the carrying value of amortizable intangible assets for impairment on an annual basis, or 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.

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 exposure, 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.

We record a valuation allowance to reduce our future tax assets recorded on our balance sheet to the amount of future tax benefit that is more likely than not to be realized. The valuation allowance is based on our estimates of taxable income by jurisdiction in which we operate and the period over which our income tax assets will be recoverable. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, there is no assurance that the valuation allowance will not need to be increased to cover additional future tax assets that may not be realizable. Although we believe that our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. Any increase in the valuation allowance could have a material adverse impact on our income tax provision and net income reflected in our consolidated statement of operations in the period in which such determination is made.

Accounts Receivable

We evaluate the collectibility 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 to 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.

Contingencies

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. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgment is required in determining whether a loss is probable and, if so, whether an exposure is reasonably estimable. Because of the uncertainties related to these matters, accruals 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 estimates. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

Changes in Accounting Policies

On January 1, 2007, the Company adopted the recommendations of CICA Handbook Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; Section 3865, *Hedges*; and Section 3251, *Equity*. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income is defined by revenue, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income, in conformity with generally accepted accounting principles.

Under the new standards, all financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale categories. Also, all financial liabilities must be classified as held for trading or other financial liabilities. All financial instruments are recorded on the consolidated balance sheet at fair value. After initial recognition, the financial instruments should be measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which should be measured at amortized cost. The effective interest related to the financial liabilities and the gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held for trading is included in net income for the period in which it arises. If a financial asset is classified as available for sale, the gain or loss should be recognized in other comprehensive income until the financial asset is derecognized and any cumulative gain or loss is then recognized in net income.

As a result of the implementation of this standard, the Company has classified cash and cash equivalents as held for trading. Short-term investments and marketable securities have been classified as available for sale. Accounts receivable has been classified as loans and receivables. Bank indebtedness, accounts payable and certain accrued liabilities have been classified as other financial liabilities. The Company has not classified any financial asset as held to maturity. The remeasurement on adoption to fair value resulted in an increase in short-term investments and marketable securities of $1,154 and a corresponding increase in other comprehensive income.

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The standard is effective for fiscal years beginning on or after January 1, 2007, specifically January 1, 2007 for the Company. The adoption of this standard did not have a material impact on the Company's financial statements.

Recent Accounting pronouncements

In October 2006, the AcSB issued Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires disclosure of: an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Company. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

In October 2006, the CICA issued Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation, which supersedes Sections 3861, Financial Instruments - Presentations and Disclosures. Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed.

Section 3862 requires disclosures, by class of financial instrument that enables users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable.

This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically on January 1, 2008 for the Company. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

In October 2006, the AcSB approved Section 3863, Financial Instruments - Presentation, which replaces Section 3861, Financial Instruments - Disclosure and Presentation. The existing requirements on presentation of financial instruments have been carried forward unchanged to Section 3863, Financial Instruments - Presentation.

This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Company. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact on the transition to IFRS on the Company's financial statements is not yet determinable.

Share Capital

As at March 5, 2008, there were 21,191,530 total shares outstanding comprised of 16,903,530 common shares and 4,288,000 class A non-voting shares.

Outlook

Although we anticipate that our annual revenue and Adjusted EBITDA will vary from year to year, management’s objective is grow each of our annual revenue per share and Adjusted EBITDA per share at an average rate, in the five year period commencing January 1, 2006 and ending December 31, 2010, of approximately 20% per annum. While the mix of organic growth and growth from acquisitions will change from year to year, we anticipate that approximately one half to three quarters of our growth will be attributable to acquisitions over this five year period. The foregoing objectives are based on various assumptions of management, including, without limitation, that (i) there will be a sufficient

number of reasonably-priced acquisitions available, and (ii) we will continue to declare modest dividends. See ‘‘Forward-Looking Statements’’ and ‘‘Risks and Uncertainties”.

Risks and Uncertainties

The risks and uncertainties affecting the Company are described in the Company’s most recently 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 Multilateral Instrument 52-109. At December 31, 2007, 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:

Management is responsible for the design of its internal controls over financial reporting (“ICOFR”) as defined under Multilateral Instrument 52-109. At December 31, 2007, the President and Chief Financial Officer concluded that the design of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian GAAP. The President and CFO have evaluated whether there were changes to internal controls over financial reporting during the interim period ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. No such changes were identified.