Consolidated Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the years ended December 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
December 31, 2011

The accompanying consolidated financial statements of Constellation Software Inc. ("Constellation") and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts that are based on the best estimates and judgements of management and in their opinion present fairly, in all material respects, Constellation's financial position, results of operations and cash flows, in accordance with IFRS. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements, or has provided reconciliations where inconsistencies exist.

Management of Constellation has developed and maintains a system of internal controls, which is supported by the internal audit function. Management believes the internal controls provide reasonable assurance that material transactions are properly authorized and recorded, financial records are reliable and form a basis for the preparation of consolidated financial statements and that Constellation's material assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee. This committee meets with management and the Company's independent auditors to review the Company's reported financial performance and to discuss audit, internal controls, accounting policies, and financial reporting matters. The consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

February 29, 2012

"Mark Leonard"

President

"John Billowits"

Chief Financial Officer

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto, Ontario M2P 2H3
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Constellation Software Inc.

We have audited the accompanying consolidated financial statements of Constellation Software Inc., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Constellation Software Inc. as at as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
February 29, 2012
Toronto, Canada

CONSTELLATION SOFTWARE INC.

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

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash	$ 33,492	$ 30,911	$ 33,249
Equity securities available-for-sale (note 5)	21,222	23,723	22,323
Accounts receivable	100,398	90,898	95,431
Work in progress	26,244	25,607	23,077
Inventories (note 6)	13,539	15,945	14,320
Other assets (note 7)	25,633	26,463	26,261
	220,528	213,547	214,661
Non-current assets:			
Property and equipment (note 8)	14,591	13,469	8,226
Deferred income taxes (note 13)	99,659	15,368	4,779
Other assets (note 7)	28,005	23,548	13,879
Intangible assets (note 9)	267,792	269,987	222,239
	410,047	322,372	249,123
Total assets	$ 630,575	$ 535,919	$ 463,784
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness (note 10)	$ -	$ 46,041	$ 41,153
Accounts payable and accrued liabilities	114,952	104,905	86,640
Deferred revenue	181,450	158,025	135,299
Provisions (note 11)	3,555	2,253	8,312
Acquired contract liabilities	4,750	10,908	7,652
Acquisition holdback payments	11,378	6,920	3,587
Income taxes payable	4,751	1,424	3,757
	320,836	330,476	286,400
Non-current liabilities:			
Deferred income taxes (note 13)	11,259	17,809	16,321
Acquired contract liabilities	28,051	35,633	41,482
Acquisition holdback payments	2,474	2,744	2,537
Other liabilities	11,675	6,206	4,018
	53,459	62,392	64,358
Total liabilities	374,295	392,868	350,758
Shareholders' equity (note 14):			
Capital stock	99,283	99,283	99,283
Accumulated other comprehensive income	6,961	8,522	3,003
Retained earnings	150,036	35,246	10,740
	256,280	143,051	113,026
Subsequent events (note 26)			
Total liabilities and shareholders' equity	$ 630,575	$ 535,919	$ 463,784

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Comprehensive Income
(In thousands of U.S. dollars, except per share amounts)

Years ended December 31, 2011 and 2010

	2011	2010
Revenue (note 15)	$ 773,341	$ 633,965
Expenses		
Staff	401,379	356,539
Hardware	60,854	45,109
Third party license, maintenance and professional services	51,066	37,669
Occupancy	18,918	16,840
Travel	30,038	23,094
Telecommunications	9,992	9,177
Supplies	15,314	11,125
Professional fees	8,623	8,219
Other	8,479	9,775
Income before the undernoted	168,678	116,418
Depreciation	7,868	6,756
Amortization of intangible assets	76,650	67,926
Impairment of non-financial assets	489	-
Foreign exchange loss	3,392	4,526
Finance income (note 16)	(7,267)	(1,241)
Finance costs (note 16)	5,575	5,783
Bargain purchase gain	-	(1,745)
	86,707	82,005
Profit before income tax	81,971	34,413
Current income tax expense	18,615	16,961
Deferred income tax recovery	(93,818)	(12,564)
Income tax expense (recovery) (note 12)	(75,203)	4,397
Net income	157,174	30,016
Net change in fair value on available-for-sale financial assets during the period	5,773	6,071
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period	(31)	61
Reclassification of unrealized gain upon derecognition of available-for-sale investments	-	(733)
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments	(6,253)	-
Foreign currency translation differences from foreign operations	(1,188)	1,607
Current tax expense	(34)	-
Deferred tax recovery (expense)	172	(1,487)
Other comprehensive income for the period, net of income tax	(1,561)	5,519
Total comprehensive income for the period	$ 155,613	$ 35,535
Earnings per share Basic and diluted (note 17)	$ 7.42	$ 1.42

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

Year ended December 31, 2011	Capital stock	Accumulated other comprehensive income/(loss) Cumulative translation account	Accumulated other comprehensive income/(loss) Amounts related to gains/losses on available-for-sale financial assets	Total accumulated other comprehensive income/(loss)	Retained earnings	Total
Balance at January 1, 2011	**$ 99,283**	**$ 1,379**	**$ 7,143**	**$ 8,522**	**$ 35,246**	**$ 143,051**
Total comprehensive income for the period						
Net income					157,174	157,174
Other comprehensive income (loss)						
Net change in fair value on available-for-sale financial assets during the period			5,773	5,773	-	5,773
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			(31)	(31)	-	(31)
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments			(6,253)	(6,253)	-	(6,253)
Foreign currency translation differences from foreign operations		(1,188)		(1,188)	-	(1,188)
Current tax expense		(34)		(34)		(34)
Deferred tax recovery		25	147	172	-	172
Total other comprehensive income (loss) for the period		**(1,197)**	**(364)**	**(1,561)**	**-**	**(1,561)**
Total comprehensive income for the period		**(1,197)**	**(364)**	**(1,561)**	**157,174**	**155,613**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 14)					(42,384)	(42,384)
Balance at December 31, 2011	**$ 99,283**	**$ 182**	**$ 6,779**	**$ 6,961**	**$ 150,036**	**$ 256,280**

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

Year ended December 31, 2010	Capital stock	Accumulated other comprehensive income/(loss)		Total accumulated other comprehensive income/(loss)	Retained earnings	Total
		Cumulative translation account	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2010	**$ 99,283**	**$ -**	**$ 3,003**	**$ 3,003**	**$ 10,740**	**$ 113,026**
Total comprehensive income for the period						
Net income					30,016	30,016
Other comprehensive income (loss)						
Net change in fair value on available-for-sale financial assets during the period			6,071	6,071	-	6,071
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			61	61	-	61
Reclassification of unrealized gain from prior periods upon derecognition of available-for-sale investments			(733)	(733)	-	(733)
Foreign currency translation differences from foreign operations		1,607	-	1,607	-	1,607
Deferred tax expense		(227)	(1,260)	(1,487)	-	(1,487)
Total other comprehensive income (loss) for the period		**1,380**	**4,139**	**5,519**	**-**	**5,519**
Total comprehensive income for the period		**1,380**	**4,139**	**5,519**	**30,016**	**35,535**
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company (note 14)					(5,510)	(5,510)
Balance at December 31, 2010	**$ 99,283**	**$ 1,380**	**$ 7,142**	**$ 8,522**	**$ 35,246**	**$ 143,051**

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	2011	2010
Cash flows from operating activities:		
Net income	$ 157,174	$ 30,016
Adjustments for:		
Depreciation	7,868	6,756
Amortization of intangible assets	76,650	67,926
Impairment of non-financial assets	489	-
Finance income	(7,267)	(1,241)
Finance costs	5,575	5,783
Bargain purchase gain	-	(1,745)
Income tax expense (recovery)	(75,203)	4,397
Foreign exchange loss	3,392	4,526
Change in non-cash operating working capital (note 24)	(15,896)	10,550
Income taxes paid	(15,249)	(19,695)
Net cash flows from operating activities	137,533	107,273
Cash flows from financing activities:		
Interest paid	(4,979)	(4,558)
Decrease in other non current liabilities	3,720	326
Decrease in bank indebtedness, net	(47,877)	4,191
Dividends paid	(42,755)	(5,510)
Net cash flows from financing activities	(91,891)	(5,551)
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired (note 4)	(40,511)	(90,627)
Post-acquisition settlement payments, net of receipts	(5,345)	7,697
Purchases of available-for-sale equity securities	(5,944)	(20,035)
Proceeds from sale of available-for-sale equity securities	14,268	-
Repayment of notes receivable	-	4,085
Decrease in restricted cash	557	1,372
Interest and dividends received	1,113	838
Property and equipment purchased	(7,350)	(7,092)
Cash flows provided for (used in) investing activities	(43,212)	(103,762)
Effect of currency translation adjustment on cash and cash equivalents	151	(298)
Decrease in cash and cash equivalents	2,581	(2,338)
Cash, beginning of period	30,911	33,249
Cash, end of period	$ 33,492	$ 30,911

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

1. Reporting entity

Constellation Software Inc. ("Constellation") is a company domiciled in Canada. The address of Constellation's registered office is 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada. The consolidated financial statements of Constellation as at and for the fiscal year ended December 31, 2011 comprise Constellation and its subsidiaries (together referred to as the "Company") and the Company's interest in associates. The Company, through its operating groups, is engaged principally in the development, installation and customization of software relating to the markets listed below, and in the provision of related professional services and support.

People transportation	Healthcare	Moving & storage
Taxi dispatch	School food services	Education (UK)
Agri-business	Public housing	Homebuilders
Fleet management	Housing finance agencies	Lease management
Facility management	Municipal treasury	Winery management
Rental	Real estate brokers/agencies	Auto, RV, marine & equipment dealers
Justice	Club management	Pulp & paper
Utilities	Food services	Manufacturing ERP
Public safety	Construction	Shipping & logistics
Local government	Health & leisure clubs	Supply chain management
School administration	Attractions	Wholesale & distribution
Property tax management	Metal service centers	

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Company’s first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

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 26. This note includes reconciliations of equity and comprehensive income of the comparative year and of equity at the date of transition reported under Canadian GAAP to IFRS.

These consolidated financial statements were approved by the Board of Directors on February 29, 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, certain assets and liabilities initially recognized in connection with business combinations, and derivative financial instruments, which are measured at fair value.

(c) Functional and presentation of currency

The financial statements are presented in US dollars, which is Constellation's functional currency.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect on profit or loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(l) – Revenue recognition
Note 3(a) - Business combinations
Note 3(n) - Accounting for income taxes
Note 3(j) - Impairment
Note 3(d) - Intangible assets
Note 22 - Contingencies

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

The accounting policies have been applied consistently by the Company‘s subsidiaries.

(a) Basis of consolidation

(i) Business combinations

Acquisitions on or after January 1, 2010

Acquisitions on or after January 1, 2010, have been accounted for using the acquisition method required by IFRS 3. Goodwill arising on acquisition is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010

As part of its transition to IFRSs, the Company elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

(ii) Consolidation methods

Entities over which the Company has control are fully consolidated from the date that control commences until the date that control ceases. Entities over which the Company has significant influence (investments in "associates") are accounted for under the equity method. Significant influence is assumed when the Company's interests are 20% or more, unless qualitative factors overcome this assumption.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments in associates are recognized initially at cost, inclusive of transaction costs. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the income and expenses and equity movement of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

(iii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of subsidiaries of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-measured to the functional currency at the exchange rate at that date. Foreign currency differences arising on re-measurement are recognized through profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to U.S. dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to U.S. dollars using average exchange rates for the month during which the transactions occurred. Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

Since January 1, 2010, the Company's date of transition, foreign currency differences are recognized and presented in other comprehensive income and in the foreign currency translation adjustment in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest when applicable.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which its substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

(c) Financial Instruments

The Company's financial instruments comprise cash, restricted cash, equity securities, accounts receivables, notes receivables, share purchase warrants, derivatives, bank indebtedness, accounts payable and accrued liabilities, and holdbacks on acquisition.

Financial assets are recognized in the consolidated statement of financial position if we have a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(i) Non-derivative financial assets

Non-derivative financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified within loans and receivables or financial assets at fair value through profit or loss. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses which are recognized in profit or loss, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss for the period.

The fair value of the available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

Loans and receivables

Loans and receivables, which comprise trade and notes receivables, are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss which comprise warrants are classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value when the Company manages such investments and makes purchase and sale decisions based on their fair value and related investment strategy. Upon initial recognition, applicable transaction costs are recognized through profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Non derivative financial liabilities

Financial liabilities consist of bank indebtedness, accounts payable and accrued liabilities, and holdbacks on acquisitions. Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

(iii) Derivatives

Derivatives are recognized initially at fair value; applicable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(d) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, including the recognition of bargain purchase gains, refer to note 4(a). In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recognized under previous GAAP.

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

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's business units (considered as the grouping of cash generating units ("CGU") at which level the impairment test is performed) and the net asset carrying values (including goodwill) of the Company's business units. Within the Company's reporting structure, business units generally reflect one level below the six operating segments (Volaris Operating Group, Harris Operating Group, Emphasys Operating Group, Jonas Operating Group, Homebuilder Operating Group, Friedman Operating Group). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's annual reoccurring revenues, which are derived from combined software/support contracts, transaction revenues, and hosted products. Valuation multiples reflect current conditions specific to the business unit and are tested for reasonability by comparing to the Company's current and past experience in acquiring representative software companies. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount.

(ii) Acquired intangible assets

The Company uses the income approach to value acquired technology and customer relationship intangible assets. The income approach is a valuation technique that calculates the fair value of an intangible asset based on the estimated cash flows that the asset can be expected to generate over its remaining useful life.

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

Specifically, the Company relies on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings ("MEEM") method to value customer assets.

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

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

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost, being reflective of fair value, less accumulated amortization and impairment losses. Subsequent expenditures are capitalized only when it increases the future economic benefits that form part of the specific asset to which it relates. Otherwise all other expenditures are recognized in profit or loss as incurred.

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are acquired and available for use, since this most closely reflects the expected usage and pattern of consumption of the future economic benefits embodied in the asset. To determine the useful life of the technology assets, the Company considers the length of time over which it expects to earn or recover the present value of the assets. The estimated useful lives for the current and comparative periods are as follows:

Technology assets	2 to 12 years
Customer assets	5 to 12 years
Backlog	1 year
Non-Compete agreements	Life of agreement

Amortization methods, useful lives and the residual values are reviewed at least annually and are adjusted if appropriate.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized only if the product or process is technically and commercially feasible, if development costs can be measured reliably, if future economic benefits are probable, if the Company intends to use or sell the asset and the Company intends and has sufficient resources to complete development. To date, no development expenditures have been capitalized.

For the year ended December 31, 2011, $101,750 (2010 – $84,880) of research and development costs have been expensed in profit or loss. These costs are net of investment tax credits recognized through profit or loss of $7,081 for the year ended December 31, 2011 (2010 – $3,752).

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment at January 1, 2010, the date of transition to IFRS, was determined by reference to its carrying value as elected for deemed cost purposes. Cost includes initial and subsequent expenditures that are directly attributable to the acquisition of the related asset. When parts of an item of property, and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Computer hardware	3 Years
Computer software	1 Year
Furniture and equipment	5 Years
Leasehold improvements	Shorter of the estimated useful life and the term of the lease
Building	50 Years

Depreciation methods, useful lives and residual values are reviewed at each financial year end or more frequently as deemed relevant, and adjusted where appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Work in progress

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date (see note 3(l)) less progress billings and recognized losses, if any.

Work in progress is presented in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as deferred revenue in the statement of financial position.

(h) Acquired contract assets and liabilities

Long-term customer contracts acquired in a business combination are assigned a fair value at the date of acquisition based on the remaining amounts to be billed under the contract, reduced by the estimated costs to complete the contract and an allowance for normal profit related to the activities that will be performed after the acquisition. The resulting amount is recorded as an asset when billings are in excess of costs plus the allowance for normal profit on uncompleted contracts. Conversely, the resulting amount is recorded as liability when costs plus the allowance for normal profit are in excess of billings on uncompleted contracts.

Each period subsequent to acquisition, the asset (liability) is reduced (increased) by actual billings and increased (decreased) by revenue recognized in the statement of operations.

(i) Other noncurrent liabilities

Other non-current liabilities consists of the non-current portion of lease incentives, non-compete obligations, deferred revenue and contingent consideration recognized in connection with business acquisitions to be settled in cash over the next three years, which were discounted for measurement purposes.

(j) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale equity securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized through profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized through profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(ii) Non-Financial assets

The carrying amounts of the Company’s non-financial assets, other than, inventories (note 3(f)) and deferred tax assets (note 3(n)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually on December 31 of each year.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the Company uses discounted cash flows which are determined using a pre-tax discount rate specific to the asset or CGU. The discount rate used reflects current market conditions including risks specific to the assets. Significant estimates within the cash flows include maintenance growth rates and operating expenses. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately and, therefore, is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(k) Provisions

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

(l) Revenue recognition

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

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

The Company typically sells or licenses software on a perpetual basis, but also licenses software for a specified time. Revenue from short-term time-based licenses, which usually include support services during the license period, is recognized rateably over the license term. Revenue from multi-year time based licenses that include support services, whether separately priced or not, is recognized rateably over the license term unless a substantive support service renewal rate exists; if this is the case, the amount allocated to the delivered software is recognized as software revenue based on the residual approach once the revenue criteria have been met.

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

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

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

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

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

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

(m) Finance income and finance costs

Finance income comprises interest income, gains on the disposal of available-for-sale financial assets, dividend income, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues through profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, amortization of the discount on provisions, fair value losses on financial assets at fair value through profit or loss, and impairment losses recognized on financial assets other than trade receivables. Transaction costs attributable to our line of credit are recognized in finance costs using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(n) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

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

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

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

(o) Investment tax credits

The Company is entitled to certain non-refundable Canadian investment tax credits for qualifying research and development activities in Canada. Investment tax credits are accounted for as a reduction of the related expenditure for items of a current expense nature or as a reduction of property and equipment for items of a capital nature when the amount is reliably estimable and the Company has reasonable assurance regarding compliance with the relevant conditions and that the credit will be realized.

(p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's President and Chairman of the Board of Directors to make decisions about resources to be allocated to the segment and assessing their performance.

The Company's has six operating segments, referred to as Operating Group's by the Company being Volaris, Harris, Emphasys, Jonas, Homebuilder, and Friedman. The operating segments are aggregated by applying the aggregation criteria in IFRS 8, Operating Segments, into two reportable segments Public (Volaris, Harris, Emphasys) and Private (Jonas, Homebuilder, Friedman).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing borrowings and expenses, and corporate assets and expenses and are included as part of the other segment when reconciling to the consolidated totals.

Segment capital expenditures are the total cost incurred during the period to acquire segment assets, being property and equipment and intangibles that are expected to be used for more than one period.

Corporate head office operating expenses, which exclude the unallocated items noted above, are allocated on a consistent basis to the Company's segments based on the segment's percentage of total consolidated revenue for the allocation period.

(q) Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding , adjusted for the effects of all dilutive potential ordinary shares.

(r) Short-term employee benefits

Short-term employee benefit obligations, including wages, benefits, incentive compensation, and compensated absences are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the Company's employee incentive compensation plan if the Company has legal or constructive obligation to pay this amount at the time bonuses are paid as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(t) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. The relevant standards are listed below.

IFRS 9 *Financial Instruments*

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied.

The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets*

The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company's operations and the types of financial assets that it holds.

Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2012. The Company does not expect the amendments to IAS 12 to have a material impact on the financial statements.

IFRS 10 *Consolidated Financial Statements*

The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.

IFRS 11 *Joint Arrangements*

The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 11 to have a material impact on the financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature and extent of the Company's interests in other entities.

IFRS 13 *Fair Value Measurement*

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

Amendments to IAS 28 *Investments in Associates and Joint Ventures*

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IAS 1 *Presentation of Financial Statements*

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

Amendments to IAS 19 Employee Benefits

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IAS 32 and IFRS 7, *Offsetting Financial Assets and Liabilities*

The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

4. Business acquisitions

2011

(a) During the year ended December 31, 2011, the Company closed twenty two acquisitions for aggregate cash consideration of $46,962 plus cash holdbacks of $9,647, resulting in total consideration of $56,609. There was no individually material acquisition in 2011. Of the twenty two acquisitions, the Company acquired 100% of the shares of twelve companies and acquired the net assets of the other ten companies. The holdbacks are payable over a three-year period and are adjusted, as necessary, for claims under the respective representations and warranties of the agreements.

The acquisitions include software companies catering to the agri-business, supply chain management, moving and storage, health and leisure clubs, local government, public safety, auto, RV, marine and equipment dealers, manufacturing ERP, club management, school administration, land management, and wholesale and distribution, all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition. The goodwill recognized in connection with these acquisitions is primarily attributable to the application of Constellation's best practices to improve the operations of the companies acquired, and to a lesser extent, synergies with existing businesses of Constellation and other intangibles that do not qualify for separate recognition. Goodwill in the amount of $6,710 is expected to be deductible for income tax purposes.

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

Due to the complexity and timing of certain acquisitions made in the latter part of the year, the Company is still in the process of determining and finalizing the fair value of the assets and liabilities acquired as part of the acquisitions. The amounts determined on a provisional basis generally relate to net tangible asset assessments and measurement of the assumed liabilities. Twelve of the acquisitions have been included in the private reportable segment and ten have been included in the public reportable segment. The following table summarizes, by reportable segment, the aggregate estimated fair value of the assets and liabilities acquired, as well as deferred income taxes, assumed at the date of each acquisition:

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 750	$ 5,701	$ 6,451
Accounts receivable	4,972	3,627	8,599
Other current assets	558	622	1,180
Property and equipment	362	1,313	1,675
Other long term assets	-	229	229
Deferred income taxes	-	497	497
Technology assets	22,351	20,662	43,013
Customer assets	13,644	8,764	22,408
	42,637	41,415	84,052
Liabilities assumed:			
Current liabilities	3,595	7,153	10,748
Deferred revenue	15,429	2,572	18,001
Deferred income taxes	1,712	1,729	3,441
Other long term liabilities	2,784	1,239	4,023
	23,520	12,693	36,213
Goodwill	7,248	1,522	8,770
Total cash consideration	**$ 26,365**	**$ 30,244**	**$ 56,609**

During the period the Company also acquired 50% of the shares of a software company catering to private clubs for consideration of nil. This acquisition has been accounted for as an associate.

The 2011 acquisitions include contingent consideration payable on the achievement of certain revenue and income targets. The obligation for contingent consideration for acquisitions during the year ended December 31, 2011 has been recorded at its estimated fair value, which has been determined to be $5,443 at the various acquisition dates. As part of these arrangements, which included both the maximum and unlimited contingent consideration amounts, the estimated outcome is not expected to exceed a maximum of $9,000, which is representative of the Company's current assessment relative to the applicable targets. Aggregate contingent consideration of $7,166 (December 31, 2010 - $2,944; January 1, 2010 - $1,145) has been reported at its estimated fair value relating to applicable acquisitions in the statement of financial position.

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

The 2011 business acquisitions contributed revenue of $37,349 and net income of $2,179 during the year ended December 31, 2011. Revenue and net income amounts from acquisitions included in the Public sector were $24,282 and $2,144, respectively. Revenue and net loss amounts from acquisitions included in the Private sector were $13,067 and $35, respectively. If the acquisitions would have occurred on January 1, 2011, management estimates that consolidated revenue would have been $801,431 and consolidated net income for the period would have been $154,813 as compared to the amounts reported in the statement of comprehensive income for the period. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisitions would have been the same if the acquisition had occurred on January 1, 2011. The net loss from acquisitions is primarily caused by the associated amortization of intangible assets recognized as if the acquisitions had occurred on January 1, 2011.

2010

(b) On October 1, 2010, the Company acquired the Cogsdale group of companies ("Cogsdale") for aggregate cash consideration of $24,580 plus cash holdbacks of $2,524 resulting in total consideration of $27,104. The holdbacks are payable over a one year period and are adjusted for claims under the representations and warranties of the agreements. Holdbacks of $410 have subsequently been paid. The balance of the cash holdbacks accrued have yet to be settled due to disputes over the net tangible assets of the business and subsequent net tangible asset arbitration. It is unknown at this time whether additional cash holdback amounts will be paid. Cogsdale is a leading provider of service-oriented business solutions to local governments and utilities. The acquisition has been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of acquisition. The following table summarizes the aggregate fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Accounts receivable	$	4,904
Other non-cash current assets		329
Property and equipment		520
Technology assets		20,985
Customer assets		6,704
Backlog		1,729
		35,171
Liabilities assumed:		
Current liabilities		3,037
Deferred revenue		3,568
Other long term liabilities		1,462
		8,067
Total cash consideration	$	27,104

This acquisition has been included in the Public Sector reportable segment.

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

(c) April 30, 2010, the Company acquired all of the remaining shares, not already held by the Company, of UK-based Gladstone PLC ("Gladstone") for $17,336. As at March 31, the Company had recorded its 31% ownership in Gladstone as an equity investment with a fair value of $9,479. The aggregate fair value determined upon acquisition was $26,870. There was no material gain or loss resulting from the difference in equity accounting and fair value on acquisition. Gladstone is a global provider of solutions for the health and leisure and education verticals. The acquisition has been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of acquisition. The following table summarizes the aggregate fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Cash	$	7,653
Accounts receivable		2,886
Other current assets		498
Deferred income taxes		1,655
Property and equipment		2,281
Technology assets		12,276
Customer assets		3,791
Backlog		800
		31,840
Liabilities assumed:		
Current liabilities		43
Deferred revenue		3,012
Deferred income taxes		4,551
		7,606
Goodwill		2,636
Total cash consideration	$	26,870

The acquisition has been included in the Private Sector reportable segment.

(d) During the year ended December 31, 2010, the Company made nineteen additional acquisitions for aggregate cash consideration of $63,088 plus cash holdbacks of $6,688 resulting in total consideration of $69,776. The holdbacks are payable over a three-year period ending June 25, 2013 and are adjusted for claims under the representations and warranties of the agreements. Holdbacks of $1,734 remain at December 31, 2011. The acquisitions include software companies catering to the pulp and paper, tourism and attractions, schools, catalog, public transit, agriculture business, health club, health care, and housing finance agency markets. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition. The following table summarizes, by reportable segment, the aggregate fair value of the assets acquired and liabilities assumed at the date of each acquisition:

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

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 5,691	$ 1,354	$ 7,045
Accounts receivable	8,642	5,100	13,742
Other current assets	2,554	1,176	3,730
Property and equipment	1,360	511	1,871
Deferred income taxes	5,850	141	5,991
Technology assets	21,041	20,243	41,284
Customer assets	8,778	7,309	16,087
Backlog	917	-	917
	54,833	35,834	90,667
Liabilities assumed:			
Current liabilities	5,598	2,742	8,340
Deferred revenue	8,039	4,341	12,380
Deferred income taxes	2,564	2,706	5,270
Other long term liabilities	131	159	290
	16,332	9,948	26,280
Goodwill	6,917	217	7,134
Excess of fair value of net assets acquired over consideration paid	(1,745)	-	(1,745)
Total cash consideration	$ 43,673	$ 26,103	$ 69,776

(e) The goodwill recognized as a result of the 2010 acquisitions is primarily attributable to the application of Constellation best practices to the companies acquired, and to a lesser extent, synergies with existing businesses and other intangibles that do not qualify for separate recognition. Goodwill in the amount of $2,444 is expected to be deductible for income tax purposes.

A bargain purchase gain totalling $1,745 arose on one of the 2010 acquisitions because the fair value of the separately identifiable assets and liabilities acquired exceeded the total consideration paid, principally due to the acquisition of tax attributes that will benefit the Company. The excess of the fair value of net assets acquired over costs totalling $1,745 has been recorded as a bargain purchase gain in profit or loss.

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

5. Equity securities available-for-sale

At December 31, 2011, the Company held investments in three (December 31, 2010 - three; January 1, 2010 - five) public companies listed in the U.S. and Canada, all of which develop and sell software solutions. All investments have been designated as available-for-sale in the Company's consolidated financial statements. One investment was sold during the year and, accordingly, a gain on sale was recognized in profit or loss.

	December 31, 2011		December 31, 2010		January 1, 2010	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Common shares	$ 13,330	$ 21,222	$ 15,320	$ 23,723	$ 19,139	$ 22,323

6. Inventories

	December 31, 2011	December 31, 2010	January 1, 2010
Raw materials	$ 9,726	$ 9,126	$ 4,266
Work in progress	429	817	499
Finished goods	3,384	6,002	9,555
Total	$ 13,539	$ 15,945	$ 14,320

No inventories were carried at fair value less cost to sell, and the carrying amount of inventories subject to retention of title clauses was nil, at December 31, 2011 and for the comparative periods disclosed.

In 2011 raw materials and changes in finished goods and work in progress recognized as cost of sales amounted to $57,850 (2010: $42,737). In 2011 the write-down of inventories to net realizable value amounted to $157 (2010: $383). The reversal of write-downs amounted to $764 (2010: $115). Write-downs and reversals of write-downs are based on the Company’s projected usage. The write-down and reversal are included in costs of sales.

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

7. Other Assets

		December 31, 2011		December 31, 2010		January 1, 2010
Prepaid assets	$	22,432	$	21,652	$	16,014
Investment tax credits recoverable		3,201		3,929		2,250
Notes receivable (ii)		-		-		3,833
Acquired contract assets (iii)		-		882		4,164
Total current	$	25,633	$	26,463	$	26,261
Restricted cash (i)	$	23	$	857	$	2,229
Investment tax credits recoverable		8,271		3,689		2,133
Long-term trade and other receivables		2,485		3,247		3,605
Share purchase warrants		-		-		200
Equity accounted investees (iv)		14,534		14,698		-
Acquired contract assets (iii)		2,692		1,057		5,712
Total non-current	$	28,005	$	23,548	$	13,879

(i) Restricted cash

Restricted cash is held in accordance with various escrow agreements related to prior and current period business acquisitions.

(ii) Notes receivable and share purchase warrants

Prior to 2009 the Company entered into agreements with VCG Inc. (subsequently VCG LLC) to purchase $4,085 senior subordinated secured notes. These notes bore interest at 12% per annum payable annually in arrears and originally matured on June 18, 2012. A note extension agreement was entered into on April 13, 2009 which extended the June 18, 2009 and June 18, 2010 interest payment dates to December 31, 2009 and December 31, 2010, respectively. The agreement also accelerated the maturity date of the principal amount of each note (together with the accrued interest on the principal amount) from June 18, 2012 to December 31, 2010 resulting in the principal amount being reclassified to current assets at December 31, 2009.

In conjunction with these notes, the Company received share purchase warrants (the "Warrants") having the right to purchase Preferred Series C-1 shares convertible into 8.9% of the fully diluted equity interest of VCG Inc. as of September 22, 2008, subject to the terms of the Warrants. The Warrant component of this instrument constituted a derivative, and accordingly, was valued separately from the value of the notes. For the year ended December 31, 2010, the Company recorded interest income related to carrying value accretion of $252 (2009 - $190).

On November 12, 2010, the Company increased its investment in Bond International Software plc ("Bond"). Bond utilized the proceeds of the investment to purchase VCG LLC, one of Bond's largest North American competitors. The principal value plus accrued interest outstanding to the Company on the VCG LLC notes was repaid in full on the closing of the transaction. The rights associated with Warrants were relinquished and the deemed fair value of $200 was recorded in profit or loss as a charge to finance expense.

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

(iii) Acquired contract assets

Long-term contracts acquired in a business combination are assigned a fair value at the date of acquisition based on the remaining amounts to be billed under the contract, reduced by the estimated costs to complete the contract and an allowance for normal profit related to the activities that will be performed after the acquisition. The resulting amount is recorded as an asset when billings are in excess of costs plus the allowance for normal profit on uncompleted contracts at the date of acquisition.

Each period subsequent to acquisition, the asset is reduced by actual billings and increased by revenue recognized in the statement of operations.

(iv) Equity accounted investees

For 2011, the Company's share of profit in its investments currently being accounted for as equity investees was nil (2010: nil). Dividends received for the year totalled $164 (2010: nil). The market value of the publically traded equity held in the equity accounted investee is $7,113.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Company is as follows:

	June 30, 2011	December 31, 2010	January 1, 2010
	Note 1		
Total assets	82,446	86,994	75,319
Total liabilities	26,722	30,821	25,460

	Six months ended June 30, 2011	Fiscal year ended December 31, 2010
	Note 1	
Revenue	29,471	50,011
Expenses	29,468	50,986
Net income (loss)	3	(975)

Note 1: Based on most recently published financial information.

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

8. Property and equipment

	Computer hardware	Computer software	Furniture and equipment	Leasehold improvements	Building	Total
Cost						
Balance at January 1, 2010	$ 19,281	$ 7,130	$ 8,414	$ 4,000	$ -	$ 38,825
Additions	2,784	3,105	707	496	-	7,092
Acquisitions through business combinations	914	526	993	279	1,960	4,672
Disposals / retirements	(28)	-	(162)	(86)	-	(276)
Effect of movements in foreign exchange	244	120	32	7	-	403
Balance at December 31, 2010	$ 23,195	$ 10,881	$ 9,984	$ 4,696	$ 1,960	$ 50,716
Balance at January 1, 2011	$ 23,195	$ 10,881	$ 9,984	$ 4,696	$ 1,960	$ 50,716
Additions	2,640	1,998	1,224	1,488	-	7,350
Acquisitions through business combinations	995	226	391	63	-	1,675
Disposals / retirements	(909)	(83)	(356)	(35)	-	(1,383)
Effect of movements in foreign exchange	(161)	(55)	(27)	(37)	(2)	(282)
Balance at December 31, 2011	$ 25,760	$ 12,967	$ 11,216	$ 6,175	$ 1,958	$ 58,076
Depreciation and impairment losses						
Balance at January 1, 2010	$ 15,573	$ 6,263	$ 6,474	$ 2,289	$ -	$ 30,599
Depreciation charge for the year	2,414	2,724	1,172	446	-	6,756
Disposals / retirements	(25)	-	(142)	(59)	-	(226)
Effect of movements in foreign exchange	11	50	(17)	6	68	118
Balance at December 31, 2010	$ 17,973	$ 9,037	$ 7,487	$ 2,682	$ 68	$ 37,247
Balance at January 1, 2011	$ 17,973	$ 9,037	$ 7,487	$ 2,682	$ 68	$ 37,247
Depreciation charge for the year	3,319	2,760	1,111	678	-	7,868
Disposals / retirements	(908)	(83)	(352)	(35)	-	(1,378)
Effect of movements in foreign exchange	(143)	(76)	(22)	(11)	-	(252)
Balance at December 31, 2011	$ 20,241	$ 11,638	$ 8,224	$ 3,314	$ 68	$ 43,485
Carrying amounts:						
At January 1, 2010	$ 3,708	$ 867	$ 1,940	$ 1,711	$ -	$ 8,226
At December 31, 2010	$ 5,222	$ 1,844	$ 2,497	$ 2,014	$ 1,892	$ 13,469
At January 1, 2011	$ 5,222	$ 1,844	$ 2,497	$ 2,014	$ 1,892	$ 13,469
At December 31, 2011	$ 5,519	$ 1,329	$ 2,992	$ 2,861	$ 1,890	$ 14,591

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

9. Intangible assets and goodwill

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Goodwill	Total
Cost						
Balance at January 1, 2010	$ 249,961	$ 85,566	$ 7,583	$ 4,544	$ 40,821	$ 388,475
Acquisitions through business combinations	74,545	26,582	3,446		9,770	114,343
Effect of movements in foreign exchange	3,199	(1,209)	1,948	(1,864)	(446)	1,628
Balance at December 31, 2010	$ 327,705	$ 110,939	$ 12,977	$ 2,680	$ 50,145	$ 504,446
Balance at January 1, 2011	$ 327,705	$ 110,939	$ 12,977	$ 2,680	$ 50,145	$ 504,446
Acquisitions through business combinations	43,057	22,407	-	17	9,296	74,777
Effect of movements in foreign exchange	(550)	(197)	-	(12)	50	(709)
Balance at December 31, 2011	$ 370,212	$ 133,149	$ 12,977	$ 2,685	$ 59,491	$ 578,514
Amortization and impairment losses						
Balance at January 1, 2010	$ 123,919	$ 31,598	$ 7,583	$ 3,136	$ -	$ 166,236
Amortization for the year	47,041	18,818	1,376	691	-	67,926
Effect of movements in foreign exchange	1,511	(1,281)	1,697	(1,630)		297
Balance at December 31, 2010	$ 172,471	$ 49,135	$ 10,656	$ 2,197	$ -	$ 234,459
Balance at January 1, 2011	$ 172,471	$ 49,135	$ 10,656	$ 2,197	$ -	$ 234,459
Amortization for the year	52,952	21,125	2,329	244	-	76,650
Impairment charge	376	113	-	-	-	489
Effect of movements in foreign exchange	(687)	(165)	(12)	(12)	-	(876)
Balance at December 31, 2011	$ 225,112	$ 70,208	$ 12,973	$ 2,429	$ -	$ 310,722
Carrying amounts						
At January 1, 2010	$ 126,042	$ 53,968	$ -	$ 1,408	$ 40,821	$ 222,239
At December 31, 2010	$ 155,234	$ 61,804	$ 2,321	$ 483	$ 50,145	$ 269,987
At January 1, 2011	$ 155,234	$ 61,804	$ 2,321	$ 483	$ 50,145	$ 269,987
At December 31, 2011	$ 145,100	$ 62,941	$ 4	$ 256	$ 59,491	$ 267,792

Impairment testing for cash-generating units containing goodwill

The annual impairment test of goodwill was performed in Q4, 2011 and Q4, 2010 and did not result in any impairment loss. As permitted by IFRS 1, the Company elected not to restate business combinations prior to January 1, 2010 [refer to Note 3(a)(i)]. As required under this election an impairment test was performed on the January 1, 2010 statement of financial position, which did not result in the recognition of an impairment loss.

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

For the purpose of impairment testing, goodwill is allocated to the Company's business units which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes, which is not higher than the Company's operating segments. There was no goodwill allocated to the Company's business units that was deemed to be significant in comparison to the carrying amount of goodwill as at December 31, 2011.

10. Bank indebtedness

Constellation has an operating line-of-credit with a syndicate of Canadian chartered banks and U.S. banks in the amount of $160,000 (December 31, 2010 - $160,000; January 1, 2010 - $160,000). The line-of-credit bears a variable interest rate and is due in full on September 30, 2012 with no fixed repayment required. Interest rates are calculated at prime or LIBOR plus interest rate spreads based on a leverage table. The line-of-credit is secured by a general security agreement covering the majority of Constellation and its subsidiaries' present and future real and personal property, assets and undertaking, including all shares, partnership interests and other equity interests held in the capital of any other company; and is subject to various debt covenants. As at December 31, 2011, nil (December 31, 2010 - $47,291; January 1, 2010 - $43,100) had been drawn from this credit facility, and letters of credit totalling $385 (December 31, 2010 - $403; January 1, 2010 - nil) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Capitalized transaction costs associated with the line-of-credit are being amortized through profit or loss using the effective interest rate method. As at December 31, 2011, $644 (December 31, 2010 - $1,250; January 1, 2010 - $1,947), the carrying amount of such costs were in the statement of financial position and have been classified as part of other current assets.

	Years ended December 31, 2011	2010
Interest expense	$ 4,448	$ 4,286
Amortization of transaction costs	596	697
	$ 5,044	$ 4,983

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

11. Provisions

	Restructuring	Other	Total
At January 1, 2010	$ 5,874	$ 2,438	$ 8,312
Reversal	(4,765)	-	(4,765)
Provisions made during the year	-	847	847
Provisions used during the year	(1,064)	(1,010)	(2,074)
Effect of movements in foreign exchange	(45)	(22)	(67)
At December 31, 2010	$ -	$ 2,253	$ 2,253
At January 1, 2011	$ -	$ 2,253	$ 2,253
Reversal		(37)	(37)
Provisions made during the year		3,490	3,490
Provisions used during the year		(2,152)	(2,152)
Effect of movements in foreign exchange		1	1
At December 31, 2011	$ -	$ 3,555	$ 3,555

Restructuring

The Company determined that restructuring actions were required to improve the overall utilization and reduce overhead costs at the Public Transit Solutions ("PTS") business unit. Restructuring actions include consolidating facilities and reducing the workforce. The majority of the reduction in workforce related to development and production employees.

Other

Other provisions include various individual provisions for onerous contracts and other liabilities of the Company.

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

12. Income taxes

(a) Tax recognized in profit or loss

	2011	2010
Current tax expense		
Current year	$ 17,942	$ 16,176
Adjustment for prior years	673	785
	18,615	16,961
Deferred tax expense		
Origination and reversal of temporary differences	(90,104)	(13,280)
Effect of change in future tax rates	(2,563)	523
Change in recognized deductible temporary differences and prior year losses	576	1,518
Recognition of previously unrecognized losses	(1,727)	(1,325)
	(93,818)	(12,564)
Total tax expense (recovery)	**(75,203)**	**4,397**

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

(b) Reconciliation of effective tax rate

	2011	2010
Net income for the year	$ 157,174	$ 30,016
Total tax expense	(75,203)	4,397
Net income before tax	81,971	34,413
Income tax expense using the Company's statutory tax rate of 28.25% (2010 - 31%)	23,157	10,668
Impact on taxes from:		
Foreign tax rate differential	(3,993)	(6,133)
Other, including non deductible expenses and non taxable income	(1,530)	(1,639)
Deferred tax benefit of inter-jurisdictional transfer of assets	(89,746)	-
Effect of change in future tax rates	(2,563)	523
Recognition of prior year tax losses	(1,727)	(1,325)
Current year tax losses for which no deferred tax recognized	526	1,518
Under (over) provisions in prior years	673	785
	(75,203)	4,397

The significant change in the effective tax rate during the year was due to the recognition of a future tax recovery related to inter-jurisdictional transfers of certain intangible assets within the Company during the year.

Deferred tax assets were recorded on the increase in fair market value arising on the transfers. The deferred income tax recovery recorded through profit or loss represents the amount of the temporary differences that the Company has determined is probable of being utilized for income tax deduction purposes in the future.

13. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

The aggregate amount of temporary differences associated with investments in subsidiaries for which we have not recognized deferred tax liabilities is $189,000 (2010: $54,000) as the Company ultimately controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future. The temporary differences relate to undistributed earnings of the Company's subsidiaries. Dividends declared would be subject to withholding tax in the range of 0-5% depending on the jurisdiction of the subsidiary.

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

(b) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items.

	2011	2010
Deductible temporary differences, including capital losses	$ 20,400	$ 22,400
Non capital tax losses	12,200	13,700

$8,100 of the non capital tax losses expire between 2015 and 2031 and $4,100 can be carried forward indefinitely. The deductible temporary differences and capital losses do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available in those jurisdictions against which the Company can utilize these benefits.

(c) Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	3,551	3,049	(4,036)	(4,513)	(485)	(1,464)
Intangible assets	106,119	5,865	(35,742)	(25,705)	70,377	(19,840)
Reserves	2,649	3,162	-	-	2,649	3,162
Non capital tax losses	5,365	8,331	-	-	5,365	8,331
SR&ED Expenditure pool	4,074	2,395	(2,903)	(1,587)	1,171	808
Deferred revenue	1,678	2,392	-	-	1,678	2,392
Foreign and other tax credits	2,207	1,938	-	-	2,207	1,938
Contract asset	3,427	2,477	(107)	(184)	3,320	2,293
Other	2,470	932	(352)	(993)	2,118	(61)
Tax (assets) liabilities	131,540	30,541	(43,140)	(32,982)	88,400	(2,441)
Reclassification	(31,881)	(15,173)	31,881	15,173	-	-
Net tax (assets) liabilities	99,659	15,368	(11,259)	(17,809)	88,400	(2,441)

The reclassification relates to the offsetting of deferred tax assets and deferred tax liabilities to the extent that they relate to the same taxing authorities and there is a legally enforceable right to do so.

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

(d) Movement in deferred tax balances during the year

	Balance December 31, 2010	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Other	Balance December 31, 2011
Property, plant and equipment	(1,464)	979	-	-	-	(485)
Intangible assets	(19,840)	93,522	-	(3,305)	-	70,377
Reserves	3,162	(513)	-	-	-	2,649
Non capital tax losses	8,331	(2,966)	-	-	-	5,365
SR&ED Expenditure pool	808	363	-	-	-	1,171
Deferred revenue	2,392	(714)	-	-	-	1,678
Tax credits	1,938	269	-	-	-	2,207
Contract asset	2,293	1,027	-	-	-	3,320
Other	(61)	1,851	172	-	156	2,118
	(2,441)	93,818	172	(3,305)	156	88,400

	Balance January 1, 2010	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Other	Balance December 31, 2010
Property, plant and equipment	(2,312)	848	-	-	-	(1,464)
Intangible assets	(20,794)	9,171	-	(8,217)	-	(19,840)
Reserves	2,066	1,096	-	-	-	3,162
Non capital tax losses	2,546	(153)	-	5,938	-	8,331
SR&ED Expenditure pool	677	131	-	-	-	808
Deferred revenue	2,678	(286)	-	-	-	2,392
Tax credits	1,784	154	-	-	-	1,938
Contract asset	2,247	46	-	-	-	2,293
Other	(434)	1,557	(1,487)	-	303	(61)
	(11,542)	12,564	(1,487)	(2,279)	303	(2,441)

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

14. Capital and other components of equity

Capital Stock

The authorized share capital of Constellation consists of an unlimited number of common shares and an unlimited number of Class A non-voting shares. The rights and privileges of the Class A non-voting shares entitle the holders of such shares to distributions, if and when declared by the Board of Directors provided an equivalent dividend is paid rateably on the common shares at the same time. The holders of the common shares will participate rateably with the holders of the Class A non-voting shares in any distribution of assets, or liquidation, dissolution or winding up of the Company's assets. The holders of the Class A non-voting shares are entitled to convert such shares, at any time into common shares, on a one-for-one basis.

	Common shares		Class A non-voting		Total	
	Number	Amount	Number	Amount	Number	Amount
December 31, 2011	17,504	86,794	3,688	12,489	21,192	99,283

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) is comprised of the following separate components of equity:

Cumulative translation account
The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as foreign exchange gains and losses arising from monetary items that form part of the net investment in the foreign operation.

Amounts related to available-for-sale financial assets
Available-for-sale differences comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Dividends

During the year ended December 31, 2011 the Company declared and paid dividends of $2.00 per common and class A non-voting share (2010 - $0.26 per share).

15. Revenue

The Company sub-classifies revenue within the following components: license revenue, maintenance revenue, professional service revenue and hardware and other revenue. Software license revenue is comprised of license fees charged for the use of software products licensed under single-year, multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable. Professional service revenue consists of fees charged for implementation services, custom programming, product training and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally. Maintenance revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, recurring fees derived from combined software/support contracts, transaction revenues, and hosted products.

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

	Years ended December 31, 2011	2010
License revenue	$ 61,076	$ 49,987
Professional services revenue	181,166	169,737
Hardware and other revenue	108,716	74,602
Maintenance revenue	422,383	339,639
Total	**$ 773,341**	**$ 633,965**

Revenues from contract accounting are allocated to license revenue, professional service revenue and hardware revenue based on their relative fair value and the amount recognized is determined using the percentage of completion method. During the year ended December 31, 2011 $194,749 (December 31, 2010 - $167,566) of contract revenue was recognized.

Advances for which the related work has not started, and billings in excess of costs incurred and recognized profits, are presented as deferred revenue.

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

16. Finance income and finance costs

	Years ended December 31, 2011	2010
Interest income on notes receivable	$ -	$ (683)
Gain on foreign exchange forward contract	(443)	-
Other financing interest	(472)	(183)
Dividend income	(99)	(113)
Equity in net earnings of equity investees	-	(199)
Gain on sale of available-for-sale financial assets transferred from equity	(6,253)	(63)
Finance income	$ (7,267)	$ (1,241)
Interest expense on bank indebtedness	$ 4,448	$ 4,286
Amortization of transaction costs	596	697
Reduction in fair value of VCG LLC warrants	-	200
Other financing interest	531	600
Finance costs	$ 5,575	$ 5,783

17. Earnings per share

Basic and diluted earnings per share

	Years ended December 31, 2011	2010
Numerator:		
Net income	$ 157,174	$ 30,016
Denominator:		
Basic and diluted shares outstanding	21,192	21,192
Earnings per share		
Basic and diluted	$ 7.42	$ 1.42

18. Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company manages its capital with the objective of ensuring that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of cash, credit facilities and components of shareholders' equity including retained earnings and capital stock.

The Company is subject to certain covenants on its credit facilities. The covenants include a leverage ratio and an interest coverage ratio, as well as a minimum net worth requirement. The Company monitors the ratios on a monthly basis. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements.

The Board of Directors determine if and when dividends should be declared and paid based on all relevant circumstances, including the desirability of financing further growth of the Company and its financial position at the relevant time. The Board of Directors has adopted a policy to pay quarterly dividends commencing April 2, 2012. Constellation intends to declare a regular quarterly dividend to allow shareholders to participate in its free cash flow, while retaining sufficient capital to invest in acquisitions and organic growth. There is no guarantee that dividends will continue to be paid in the future.

The Company makes adjustments to its capital structure in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may increase or decrease dividends, increase or decrease the line of credit or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business, including significant acquisitions or other major investments.

19. Financial risk management and financial instruments

Overview

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below.

Market risk

Market risk is the risk that changes in market prices, such as fluctuations in the equity prices of the Company's publicly traded investments, foreign exchange rates and interest rates, will affect the Company's income or the value of its financial instruments.

The Company manages risk related to fluctuations in the market prices of its publicly traded investments by regularly conducting financial reviews of publicly available information to ensure that any risks are within established levels of risk tolerance. The Company does not routinely engage in risk management practices such as hedging, derivatives or short selling with respect to its publicly traded investments.

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

The following table details the Company's sensitivity to a 1% strengthening in the market price of the equity securities it currently holds. For a 1% weakening in the market price, there would be an equal and opposite impact on net income and comprehensive income.

Net income	$	212
Comprehensive income	$	212

The Company is exposed to interest rate risk on the utilized portion of its line of credit and does not currently hold any financial instruments that mitigate this risk. Management does not believe that the impact of interest rate fluctuations relative to the variable interest rate attached to the line of credit and in consideration of the current and expected level of borrowings will be significant and, therefore, has not provided a sensitivity analysis of the impact of fluctuations on net income and comprehensive income.

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates which impact sales and purchases that are denominated in a currency other than the respective functional currencies of certain of its subsidiaries. The Company currently does not typically use derivative instruments to hedge its exposure to those risks. Most of the Company's businesses are organized geographically so that many of its expenses are incurred in the same currency as its revenues thus mitigating some of its exposure to currency fluctuations.

The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of monetary liabilities. During the year, the Company purchased a contract of this nature and has recorded its fair value at December 31, 2011 based on foreign exchange rates relative to the stated rate in the contract. The fair value adjustment has been recorded in finance income in profit or loss.

Foreign currency sensitivity analysis:

The Company is mainly exposed to fluctuations in the Canadian dollar, British pound, Swiss franc, Euro, and Australian dollar. The major currency exposures, as of December 31, 2011, are summarized in USD equivalents in the following table. The local currency amounts have been converted to USD equivalents using the period end exchange rates.

	Canadian Dollar	British Pound	Swiss Franc	Euro	Australian Dollar
Current assets	$ 27,648	$ 15,949	$ 22,961	$ 7,296	$ 4,237
Non-current assets	42,512	43,556	2,144	10	10,252
Current liabilities	(45,855)	(24,488)	(26,355)	(4,951)	(6,422)
Non-current liabilities	(15,479)	(11,249)	(11,065)	(1,177)	(427)
Net financial assets	$ 8,826	$ 23,768	$ (12,315)	$ 1,178	$ 7,640

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

The following table details the Company's sensitivity, with regards to the above net asset position, to a 1% strengthening of the Canadian dollar, British pound, Swiss Franc, Euro, and Australian dollar against the U.S. dollar. The sensitivity analysis includes foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities of non-USD functional subsidiaries, and adjusts their translation at period end for a 1% change in foreign currency rates. For a 1% weakening against the U.S. dollar, there would be an equal and opposite impact on net income and comprehensive income.

	Canadian Dollar	British Pound	Swiss Franc	Euro	Australian Dollar
Net income	$ 44	$ 238	$ (123)	$ 12	$ 76
Comprehensive income	$ 88	$ 238	$ (123)	$ 12	$ 76

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 18 to the consolidated financial statements. The Company's growth is financed through a combination of the cash flows from operations and borrowing under the existing credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. The Company's credit facilities are disclosed in note 10 to the consolidated financial statements. As at December 31, 2011, available credit in respect of the Company's bank credit facility was $159,615.

The majority of the Company's financial liabilities recorded in accounts payable and accrued liabilities are due within 60 days. Holdbacks payable are due within three years.

Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

Credit risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. The carrying amount of the Company's financial assets, including receivables from customers, represents the Company's maximum credit exposure.

The majority of the accounts receivable balance relates to maintenance invoices to customers that have a history of payment. In addition a large proportion of the Company's accounts receivable is with public sector government agencies.

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

The maximum exposure to credit risk for accounts receivables at the reporting date by geographic region was:

	December 31, 2011	December 31, 2010	January 1, 2010
United States	$ 57,187	$ 47,078	$ 53,457
Canada	19,446	18,841	6,858
United Kingdom	11,322	11,024	8,201
Europe	10,012	12,402	26,769
Other	2,431	1,553	146
	$ 100,398	$ 90,898	$ 95,431

The maximum exposure to credit risk for accounts receivables at the reporting date by reportable segment was:

	December 31, 2011	December 31, 2010	January 1, 2010
Public	72,716	71,235	82,597
Private	27,682	19,663	12,834
	$ 100,398	$ 90,898	$ 95,431

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

The aging of accounts receivables at the reporting date was:

	December 31, 2011	December 31, 2010	January 1, 2010
Current	49,084	43,512	48,456
61-120 days			
Gross	29,585	29,766	32,431
Impairment	(77)	(925)	(13)
Net	29,508	28,841	32,418
More than 120 days			
Gross	28,505	25,907	20,310
Impairment	(6,699)	(7,362)	(5,753)
Net	21,806	18,545	14,557
Total accounts receivable			
Gross	107,174	99,185	101,197
Impairment	(6,776)	(8,287)	(5,766)
Net	100,398	90,898	95,431

An allowance account for accounts receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at which point the amounts are considered to be uncollectible and are written off against the accounts receivable directly. The number of days outstanding of an individual receivable balance is the key indicator for determining whether an account is impaired.

The movement in the allowance for impairment in respect of accounts receivables during the year ended:

	2011	2010
Balance at January 1	$ 8,287	$ 5,766
Impairment loss recognized	3,737	5,983
Impairment loss reversed	(3,834)	(1,810)
Amounts written off	(1,414)	(1,652)
Balance at December 31	$ 6,776	$ 8,287

There is no concentration of credit risk because of the Company's large individually small number of customers. In addition the Company typically requires up front deposits from customers to protect against credit risk.

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

The Company manages credit risk related to cash by maintaining bank accounts with Schedule 1 banks.

In the ordinary course of business the Company and its subsidiaries have provided performance bonds and other guarantees for the completion of certain customer contracts. The Company has not experienced a loss to date and future losses are not anticipated; therefore, no liability has been recorded in the consolidated statements of financial position related to these types of indemnifications or guarantees at December 31, 2011.

Fair values versus carrying amounts

The carrying values of accounts receivable, accounts payable, accrued liabilities, the majority of acquisition holdbacks and bank debt, approximate their fair values due to the short-term nature of these instruments. Bank debt is subject to market interest rates.

The Company has capitalized the transaction costs associated with negotiating the line of credit. As a result at December 31, 2011, the fair value of the line of credit is $nil and the carrying value $644 has been included as part of other assets. (December 31, 2010: fair value $47,291, carrying value $46,041).

The fair values of available-for-sale equity investments at the reporting date are determined by the quoted market values for each investment (note 5).

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

In the table below, the Company has segregated all financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. The Company has no financial assets or liabilities measured using level 3 inputs.

Financial assets measured at fair value as at December 31, 2011 and December 31, 2010 in the financial statements are summarized below. The Company has no financial liabilities measured at fair value initially other than those recognized in connection with business combinations.

	December 31, 2011			December 31, 2010		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Equity securities	$ 21,222	$ -	$ 21,222	$ 23,723	$ -	$ 23,723
Foreign exchange forward contract	443	-	443	-	-	-
	$ 21,665	$ -	$ 21,665	$ 23,723	$ -	$ 23,723

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

There were no transfers of fair value measurements between level 1 and level 2 of the fair value hierarchy in 2011 and 2010.

20. Operating leases

The Company leases premises and certain equipment and automobiles under operating leases. The operating rental expense for the year ended December 31, 2011 was $14,849 (2010 - $13,255). The annual minimum lease commitments are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Less than 1 year	$ 14,921	$ 12,465	$ 11,661
Between 1 and 5 years	27,354	27,256	25,832
More than 5 years	7,044	8,553	6,435
Total	$ 49,319	$ 48,274	$ 43,928

21. Operating Segments

Segment information is presented in respect of the Company's business and geographical segments. The accounting policies of the segments are the same as those described in the significant accounting policies section of these consolidated financial statements.

Reportable segments

The Company has six operating segments, which have been aggregated into two reportable segments in accordance with IFRS 8 Operating Segments. The Company‘s Public Sector segment develops and distributes software solutions primarily to government and government-related customers. The Company‘s Private Sector segment develops and distributes software solutions primarily to commercial customers.

The determination that the Company has two reportable segments is based primarily on the conclusion that differences in economic cycles and procedures for securing contracts between our governmental clients and commercial, or private sector clients are significant enough to warrant distinct segmented disclosures.

Corporate head office operating expenses are allocated to the Company’s segments based on the segment’s percentage of total Company revenue for the allocation period.

Intercompany-expenses (income) represent management fees charged by Constellation’s head office to the reportable segments.

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

Fiscal year ended December 31, 2011	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 571,648	$ 201,693	$ -	$ 773,341
Expenses				
Staff	288,919	112,460	-	401,379
Hardware	53,665	7,189	-	60,854
Third party licenses, maintenance and professional services	35,581	15,485	-	51,066
Occupancy	13,328	5,590	-	18,918
Travel	24,113	5,925	-	30,038
Telecommunications	6,762	3,230	-	9,992
Supplies	12,437	2,877	-	15,314
Professional fees	6,037	2,586	-	8,623
Other	3,349	5,130	-	8,479
Income before the undernoted	127,457	41,221	-	168,678
Depreciation	5,806	1,654	408	7,868
Amortization of intangible assets	56,926	19,724	-	76,650
Impairment of non-financial assets	489	-	-	489
Foreign exchange (gain) loss	1,250	(610)	2,752	3,392
Finance income	(318)	(64)	(6,885)	(7,267)
Finance costs	222	188	5,165	5,575
Inter-company expenses (income)	20,205	9,380	(29,585)	-
	84,580	30,272	(28,145)	86,707
Profit before income tax	42,877	10,949	28,145	81,971
Current income tax expense (recovery)	14,843	5,985	(2,213)	18,615
Deferred income tax (recovery) expense	(56,380)	(37,584)	146	(93,818)
Income tax recovery	(41,537)	(31,599)	(2,067)	(75,203)
Net income	84,414	42,548	30,212	157,174

Other selected information

December 31, 2011	Public Sector	Private Sector	Other	Consolidated Total
Current assets	140,517	43,649	36,362	220,528
Current liabilities	232,410	87,540	886	320,836
Goodwill	37,827	21,664	-	59,491
Other Intangible assets	128,405	79,896	-	208,301

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

Fiscal year ended December 31, 2010	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 474,832	$ 159,133	$ -	$ 633,965
Expenses				
Staff	260,475	96,064	-	356,539
Hardware	40,007	5,102	-	45,109
Third party licenses, maintenance and professional services	26,149	11,520	-	37,669
Occupancy	11,864	4,976	-	16,840
Travel	18,498	4,596	-	23,094
Telecommunications	6,529	2,648	-	9,177
Supplies	8,810	2,315	-	11,125
Professional fees	5,942	2,277	-	8,219
Other	5,511	4,264	-	9,775
Income before the undernoted	91,047	25,371	-	116,418
Depreciation	5,144	1,586	26	6,756
Amortization of intangible assets	50,775	17,151	-	67,926
Foreign exchange (gain) loss	2,687	2,114	(275)	4,526
Finance income	(188)	(80)	(973)	(1,241)
Finance costs	318	282	5,183	5,783
Bargain purchase gain	(1,745)	-	-	(1,745)
Inter-company expenses (income)	7,326	4,094	(11,420)	-
	64,317	25,147	(7,459)	82,005
Profit before income tax	26,730	224	7,459	34,413
Current income tax expense (recovery)	16,400	3,665	(3,104)	16,961
Deferred income tax (recovery) expense	(7,681)	(3,622)	(1,261)	(12,564)
Income tax recovery	8,719	43	(4,365)	4,397
Net income	18,011	181	11,824	30,016

Other selected information:

December 31, 2010	Public Sector	Private Sector	Other	Consolidated Total
Current assets	144,960	29,566	39,021	213,547
Current liabilities	213,449	66,698	50,329	330,476
Goodwill	30,152	19,993	-	50,145
Other Intangible assets	147,317	72,525	-	219,842

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

Geographical segments

The public and private sector segments are managed on a worldwide basis, but operate in three principal geographical areas, Canada, USA, and UK/Europe.

In presenting information on the basis of geographical segments, segment revenue is based on the region in which the revenue is transacted and intellectual property is located. Segment assets are based on the geographic locations of the assets.

Year ended December 31, 2011	Canada	USA	UK/Europe	Other	Total
Revenue	$ 131,951	$ 467,202	$ 165,251	$ 8,937	$ 773,341
Total assets	268,484	250,251	96,415	15,425	630,575
Property and equipment	5,573	4,841	3,608	569	14,591
Acquired contract assets	-	1,052	1,640	-	2,692
Intangible assets	113,051	104,929	39,809	10,003	267,792

Year ended December 31, 2010	Canada	USA	UK/Europe	Other	Total
Revenue	$ 128,083	$ 351,520	$ 126,764	$ 27,598	$ 633,965
Total assets	252,950	145,522	104,810	32,637	535,919
Property and equipment	7,235	1,123	4,964	147	13,469
Acquired contract assets	-	1,695	244	-	1,939
Intangible assets	122,134	77,000	41,340	29,513	269,987

Major customers

No customer represents revenue in excess of 10% of total revenue in both 2011 and 2010.

22. Contingencies

In the normal course of operations, the Company is subject to litigation and claims from time to time. The Company may also be subject to lawsuits, investigations and other claims, including environmental, labour, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

On September 30, 2008, the Company acquired certain assets and liabilities of Maximus Inc.'s Asset, Justice, and Education Solutions businesses ("MAJES"). As part of the acquisition, the Company also acquired certain long-term contracts that contain contingent liabilities which may, but are unlikely to, exceed $13 million in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by MAJES and for estimated damages available to customers for breaches of such contracts by MAJES where such contracts did not contain specified penalties. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

In February 2011, a subsidiary of the Company and Maximus Inc. ("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, separately 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 are contesting 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 is currently following the dispute resolution process and continues to provide services to the customer.

On November 2, 2009, the Company acquired certain assets and liabilities of the Public Transit Solutions ("PTS") business of Continental Automotive AG. The Company also acquired contingent liabilities related to certain long-term contracts that may, but are unlikely to, exceed $2 million in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by PTS. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

The Company is subject to income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact to the Company's financial position. However, there can be no assurances as to the final resolution of these matters and, if the final outcome is adverse to the Company, the amounts the Company is required to pay and the loss of certain future tax deductions could be material to these financial statements.

23. Guarantees

(a) In the ordinary course of business the Company and its subsidiaries have provided performance bonds and other guarantees for the completion of certain customer contracts. The total obligations of the Company pursuant to such bonds and related contingencies total $30,077 (2010 - $25,956). No liability has been recorded in the consolidated financial statements.

(b) As at December 31, 2011, in the normal course of business, the Company and its subsidiaries have outstanding letters of credit totalling $385 (2010 - 403).

(c) In the normal course of business, some of the Company's subsidiaries entered into lease agreements for facilities. As the joint lessees, the subsidiaries agree to indemnify the lessor for liabilities that may arise from the use of the leased facility. The maximum amount potentially payable under the foregoing indemnity cannot be reasonably estimated. The subsidiaries have liability insurance that relates to the indemnifications.

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

(d) The Company and its subsidiaries have provided routine indemnifications to some of its customers against liability if the Company's product infringes on a third party's intellectual property rights. The maximum exposure from the indemnifications cannot be reasonably estimated.

24. Changes in non-cash operating working capital

	2011	2010
(Increase) decrease in accounts receivable	$ (4,420)	$ 11,646
Increase in work in progress	(1,282)	(908)
(Increase) decrease in other current assets	1,611	(1,174)
(Increase) decrease in inventory	2,610	(1,029)
Increase in long term assets	(5,403)	(1,278)
Change in acquired contract assets and liabilities	(14,150)	(2,968)
Increase in other non-current liabilities	(1,002)	326
Increase (decrease) in accounts payable and accrued liabilities excluding holdbacks from acquisitions	(793)	8,802
Increase in deferred revenue	5,618	3,192
Increase (decrease) in provisions	1,315	(6,059)
	$ (15,896)	$ 10,550

25. Related parties

Key management personnel compensation

The key management personnel of the Company, inclusive of the operating segments, are the members of the Company's executive management team and Board of Directors, and control approximately 13% of the outstanding shares of Constellation.

	Years ended December 31, 2011	2010
Salaries, bonus and employee benefits	$ 11,812	$ 15,749
Total	$ 11,812	$ 15,749

If terminated for other than just cause, each executive officer, is entitled to either up to 12 months prior written notice or payment in an amount equal to up to12 month's salary (or in the case of the Chief Operating Officer, 12 month's total compensation) at the rate in effect at the time of his or her termination. There were no post-employment benefits, other long-term benefits, or share-based payments attributed to the key management personnel in 2010 and 2011.

26. Subsequent events

Subsequent to December 31, 2011, the Company acquired the net assets of three separate entities for aggregate cash consideration of $7,744 on closing plus holdbacks of $2,707. In addition, there is contingent consideration payable in connection with two of the acquisitions based on the amount that certain financial measures exceed predetermined levels in the post-acquisition period. The business acquisitions include companies catering to the facility management, education (UK), and school administration markets, and are all software businesses similar to existing businesses of the Company. Two business acquisitions will be included in our Public Sector segment and one in our Private Sector segment.

On January 3, 2012 the Company declared an initial quarterly cash dividend of $1.00 per share payable on April 2, 2012 to all common shareholders and class A non-voting shareholders of record at the close of business on March 12, 2012.

27. Explanation of transition to IFRS

As stated in note 2, these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The accounting policies as set out in note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information for the year ended December 30, 2010, and in preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition to IFRS).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts previously reported in financial statements prepared in accordance with previous Canadian GAAP.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of financial position and shareholders' equity

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

January 1, 2010

	Notes	Previous Canadian GAAP (reclassified, note a)	Adjustments	IFRS
Assets				
Current assets:				
Cash		$ 33,249	$ -	$ 33,249
Equity securities available-for-sale		22,323	-	22,323
Accounts receivable	c	90,683	4,748	95,431
Work in progress	c	21,910	1,167	23,077
Inventory	c	12,702	1,618	14,320
Other assets	c,e	26,335	(74)	26,261
		207,202	7,459	214,661
Non-current assets:				
Property and equipment	c,e,f	10,539	(2,313)	8,226
Deferred income taxes	c,j	4,318	461	4,779
Other assets	c,e,h	13,478	401	13,879
Intangible assets	c,e,g	226,818	(4,579)	222,239
		255,153	(6,030)	249,123
Total assets		$ 462,355	$ 1,429	$ 463,784
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank indebtedness	h	$ 43,100	$ (1,947)	$ 41,153
Accounts payable and accrued liabilities	c,d	95,343	(8,704)	86,639
Deferred revenue	c,e	128,359	6,940	135,299
Provisions		8,312	-	8,312
Acquired contract liabilities		7,652	-	7,652
Acquisition holdback payments		3,587	-	3,587
Income taxes payable	c	3,751	6	3,757
		290,104	(3,705)	286,399
Non-current liabilities:				
Deferred income taxes	c,j	17,839	(1,518)	16,321
Acquired contract liabilities	c,e	34,120	7,362	41,482
Acquisition holdback payments		2,537	-	2,537
Other liabilities	c,d	9,051	(5,033)	4,018
		63,547	811	64,358
Shareholders‘ equity:				
Capital stock		99,283	-	99,283
Accumulated other comprehensive (loss) income	e	(157)	3,161	3,004
Retained earnings		9,578	1,162	10,740
		108,704	4,323	113,027
Total liabilities and shareholders' equity		$ 462,355	$ 1,429	$ 463,784

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

December 31, 2010

	Notes	Previous Canadian GAAP (reclassified, note a)	Adjustments	IFRS
Assets				
Current assets:				
Cash		$ 30,911	$ -	$ 30,911
Equity securities available-for-sale		23,723	-	23,723
Accounts receivable		90,898	-	90,898
Work in progress		25,607	-	25,607
Inventory		15,945	-	15,945
Other assets		26,463	-	26,463
		213,547	-	213,547
Non-current assets:				
Property and equipment	e,f	16,430	(2,961)	13,469
Deferred income taxes	j	14,918	450	15,368
Other assets	e,h	24,519	(971)	23,548
Intangible assets	d,e,g	273,009	(3,022)	269,987
		328,876	(6,504)	322,372
Total assets		$ 542,423	$ (6,504)	$ 535,919
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank indebtedness	h	$ 47,291	$ (1,250)	$ 46,041
Accounts payable and accrued liabilities		104,905	-	104,905
Deferred revenue	e	157,240	785	158,025
Provisions		2,253	-	2,253
Acquired contract liabilities		10,908	-	10,908
Acquisition holdback payments		6,920	-	6,920
Income taxes payable		1,424	-	1,424
		330,941	(465)	330,476
Non-current liabilities:				
Deferred income taxes	j	19,443	(1,634)	17,809
Acquired contract liabilities	e	33,924	1,709	35,633
Acquisition holdback payments		2,744	-	2,744
Other liabilities	d	4,962	1,244	6,206
		61,073	1,319	62,392
Shareholders‘ equity:				
Capital stock		99,283	-	99,283
Accumulated other comprehensive income	e,f	5,292	3,230	8,522
Retained earnings		45,834	(10,588)	35,246
		150,409	(7,358)	143,051
Total liabilities and shareholders' equity		$ 542,423	$ (6,504)	$ 535,919

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

Reconciliation of profit for the year ended December 31, 2010

	Notes	Canadian GAAP (reclassified note b)	IFRS adjustments	IFRS
Revenue	i	$ 630,857	$ 3,108	$ 633,965
Expenses				
Staff	i	353,431	3,108	356,539
Hardware		45,109	-	45,109
Third party license, maintenance and professional services		37,669	-	37,669
Occupancy		16,840	-	16,840
Travel		23,094	-	23,094
Telecommunications		9,177	-	9,177
Supplies		11,125	-	11,125
Professional fees		8,219	-	8,219
Other	d	9,764	11	9,775
Income before the undernoted		116,429	(11)	116,418
Depreciation	f	6,036	720	6,756
Amortization of intangible assets	g	69,367	(1,441)	67,926
Foreign exchange loss	e	2,387	2,139	4,526
Finance income		(1,241)	-	(1,241)
Finance costs	d	5,610	173	5,783
Bargain purchase gain	c	-	(1,745)	(1,745)
		82,159	(154)	82,005
Profit before income tax		34,270	143	34,413
Extraordinary gain	c	12,538	(12,538)	-
Current income tax expense		16,961	-	16,961
Deferred income tax recovery	j	(11,918)	(646)	(12,564)
Income tax expense (recovery)		5,043	(646)	4,397
Net income		$ 41,765	$ (11,749)	$ 30,016
Net change in fair value on available-for-sale Financial assets during the period		6,071	-	6,071
Net unrealized foreign exchange adjustment gain on available-for-sale financial assets during the period		61	-	61
Reclassification of unrealized gain upon derecognition of available-for-sale investments		(733)	-	(733)
Foreign currency translation differences from foreign operations	e	1,310	297	1,607
Deferred tax expense	j	(1,260)	(227)	(1,487)
Other comprehensive income for the period, net of income tax		5,449	70	5,519
Total comprehensive income for the period		$ 47,214	$ (11,679)	$ 35,535
Earnings per share				
Basic and diluted		$ 1.97	$ (0.55)	$ 1.42

Adjustments to the statements of cash flows for 2010

Income taxes paid has been moved into the body of the statement of cash flows, whereas it was previously disclosed as supplemental information. In addition, interest paid was previously included as part of operating activities, whereas it is included within financing activities under IFRS. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Correction of immaterial errors related to 2010 interim periods

The Company has recast the statement of financial position and statement of comprehensive income for the year ended December 31, 2010 included herein as compared to the same reconciliation notes reported in the interim financial statements for the periods ended March 31, 2011 and June 30, 2011. For the year ended December 31, 2010 net income was reduced by $947 and accumulated other comprehensive income was increased by $947 primarily related to adjustments in connection with monetary items designated as part of the net investment in foreign operations. The Company reviewed the impact of these errors on the comparative periods in fiscal 2010 and determined that the errors were not material.

Notes to the reconciliations as at and for the periods included above

(a) In transitioning to IFRS, the Company has reclassified certain amounts within the consolidated statement of financial position. The Company recognized reclassification adjustments related to deferred income tax assets and liabilities so as to present those amounts by tax jurisdiction on a consolidated basis in the statement of financial position. This reclassification was included in the Canadian GAAP amounts reflected in the reconciliation tables above. The impact of the reclassification recognized as of January 1, 2010 and December 31, 2010 was a decrease of deferred income tax assets and liabilities of $10,986 and $11,802, respectively, with no corresponding impact in profit or loss.

(b) In transitioning to IFRS, the Company has elected to present its expenses in the consolidated statement of comprehensive income according to their nature. As a result, expenses previously disclosed under Canadian GAAP within cost of revenue, research and development, sales and marketing, and general and administration are presented under IFRS based on the nature of the cost incurred.

As required by IFRS, the Company has reported finance income and finance cost on a gross basis.

(c) IFRS 1 states that on first-time adoption, an entity may elect not to apply IFRS 3 (revised), Business Combinations (“IFRS 3”) retrospectively to business combinations that occurred before the date of transition, January 1, 2010. Under Canadian GAAP the Company had early adopted the Handbook Section 1582, Business Combinations ("HB 1582"), effective January 1, 2010, the requirements of which are substantially converged with IFRS; consequently no changes were deemed applicable for our acquisitions acquired after January 1, 2010. Goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment. No impairment existed at the transition date.

As a result of this election, business combinations which occurred prior to January 1, 2010 have a deemed cost equal to the carrying value in accordance with Canadian GAAP at December 31, 2009. Where the accounting for the purchase equation was incomplete at December 31, 2009, in respect of an un-restated business combination, the deemed cost is equal to the carrying value of such assets and liabilities acquired immediately after the business combination, inclusive of the adjustments made during the measurement period under Canadian GAAP. The statements of financial position under IFRS differ from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

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

	December 31, 2010	January 1, 2010
Increase/(decrease) in:		
Current assets:		
Accounts receivable	$ -	$ 4,748
Work in progress	-	1,167
Inventory	-	1,618
Other assets	-	(78)
Non-current assets:		
Property and equipment	-	(5)
Deferred income taxes	-	358
Other assets	-	2,404
Intangible assets	-	200
Current liabilities:		
Accounts payable and accrued liabilities	-	(8,716)
Deferred revenue	-	6,725
Acquisition holdback payments	-	-
Income taxes payable	-	6
Non-current liabilities:		
Deferred income taxes	-	44
Acquired contract liabilities	-	7,727
Other liabilities	-	(6,167)
Increase in retained earnings	$ -	$ 10,793

On November 2, 2009, the Company acquired the Public Transit Solutions business of Continental Automotive AG. Negative goodwill arose on acquisition because the fair value of the separately identifiable assets and liabilities acquired exceeded the total consideration paid. Under Canadian GAAP, the negative goodwill was recorded as an extraordinary gain during the measurement period in fiscal 2010. Under IFRS, the negative goodwill, or bargain purchase gain, has been reported in the opening statement of financial position because the carrying amount under previous Canadian GAAP of assets acquired and liabilities assumed in an un-restated business combination immediately after the business combination becomes their deemed cost at that date. As a result, an extraordinary gain of $10,793 for the year ended December 31, 2010, which was reported under Canadian GAAP in profit or loss, is eliminated against retained earnings under IFRS.

Negative goodwill totalling $1,745 has arisen on one of the 2010 acquisitions (fourth quarter) because the fair value of the separately identifiable assets and liabilities acquired exceeded the total consideration paid. Under Canadian GAAP this was reported as a extraordinary gain, while under IFRS it is reported as a bargain purchase gain.

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

(d) The Company has applied IFRS 3 to all business combinations after January 1, 2010. Under IFRS, the estimated fair value of any contingent consideration outstanding at January 1, 2010 must be recognized. The application of Canadian GAAP as it relates to acquisitions prior to January 1, 2010 does not allow for recognition unless the contingency can be reasonably estimated at the date of acquisition and determined beyond a reasonable doubt. Under Canadian GAAP the Company had elected to early adopt HB 1582 effective January 1, 2010, the requirements of which are converged with IFRS; consequently there is no impact on acquisitions acquired subsequent to January 1, 2010. The IFRS statements of financial position differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

		December 31, 2010		January 1, 2010
Increase/(decrease) in:				
Intangible assets	$	(86)	$	-
Accounts payable and accrued liabilities		-		12
Other non-current liabilities		1,244		1,134
Decrease in retained earnings	$	(1,330)	$	(1,146)

The IFRS statements of comprehensive income differ from the amounts reported in the Canadian GAAP statements of operations by the following amounts:

		Year ended December 31, 2010
Increase/(decrease) in:		
Other expense	$	11
Finance costs		173
Decrease in profit before income taxes	$	184

(e) Under IFRS, there are various indicators to be considered in determining the appropriate functional currency of an entity. When the indicators are mixed and the functional currency is not obvious, priority should be given to indicators that have a greater weighting, such as primary indicators including the currency that most influences sales prices, the currency of the market in which the goods are sold, and the currency that mainly influences expenses. Canadian GAAP has similar indicators as IFRS in determining functional currency. However, Canadian GAAP does not have a hierarchy of indicators under which certain indicators are given priority.

In accordance with IFRS, the Company has assessed the functional currency of foreign subsidiaries. As part of this assessment, in general the functional currency of subsidiaries has changed as sales prices and expenses are mainly influenced by their respective local currency. The IFRS statements of financial position differ from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

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

	December 31, 2010	January 1, 2010
Increase/(decrease) in:		
Current assets:		
Other assets	$ -	$ 4
Non-current assets:		
Property and equipment	124	36
Other assets	279	(56)
Intangible assets	(552)	(954)
Current liabilities:		
Accounts payable and accrued liabilities	-	-
Deferred revenue	785	215
Non-current liabilities:		
Acquired contract liabilities	1,709	(365)
Cumulative translation account	(503)	(820)
Decrease in retained earnings	$ (2,140)	$ -

The IFRS statements of comprehensive income differ from the amounts reported in the Canadian GAAP statements of operations by the following amounts:

	Year ended December 31, 2010
Increase/(decrease) in:	
Foreign exchange loss	$ 2,140
Decrease in profit before income taxes	$ 2,140

IFRS 1 permits the cumulative translation differences for all foreign operations to be deemed nil at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. The Company has applied this election, as a result, $3,161 has been reclassified from other comprehensive income to retained earnings.

(f) Under Canadian GAAP certain of the Company's business units used the declining balance method to depreciate property and equipment, while other business units used the straight line method to depreciate property and equipment. Under IFRS, uniform accounting policies must be used for reporting similar activity and transactions. The IFRS statement of financial position differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

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

	December 31, 2010	January 1, 2010
Increase/(decrease) in:		
Property and equipment	$ (3,085)	$ (2,344)
Foreign currency translation adjustment	(21)	-
Decrease in retained earnings	$ (3,064)	$ (2,344)

The IFRS statements of comprehensive income differ from the amounts reported in the Canadian GAAP statements of operations by the following amounts:

	Year ended December 31, 2010
Increase/(decrease) in:	
Depreciation	$ 720
Decrease in profit before income taxes	$ 720

(g) Under Canadian GAAP certain of our business units used various methods in determining the useful lives of intangible assets. Under IFRS, uniform accounting policies must be used for reporting like transactions. The IFRS statements of financial position differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

	December 31, 2010	January 1, 2010
Increase/(decrease) in:		
Intangible assets	$ (2,384)	$ (3,825)
Decrease in retained earnings	$ (2,384)	$ (3,825)

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

The IFRS statements of comprehensive income differ from the amounts reported in the Canadian GAAP statements of operations by the following amounts:

		Year ended December 31, 2010
Increase/(decrease) in:		
Amortization of intangible assets	$	(1,441)
Decrease in profit before income taxes	$	(1,441)

(h) Under Canadian GAAP direct costs associated with securing the Company's revolving line of credit were capitalized to other assets and recognized in profit or loss through interest expense. Under IFRS, these transaction costs are capitalized as part of the related financial liability. The costs are amortized using the effective interest method to interest expense and included as part of finance costs. The IFRS statements of financial position differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

		December 31, 2010		January 1, 2010
Increase/(decrease) in:				
Other assets	$	(1,250)	$	(1,947)
Bank indebtedness		(1,250)		(1,947)
Increase/(decrease) in retained earnings	$	-	$	-

(i) Under Canadian GAAP, the Company accounted for certain long-term contracts using the completed contract method of accounting. Completed contract method of accounting is generally not permitted under IFRS. If the outcome of a contract is not known, then revenue is recognized only to the extent of the costs incurred that are probable of recovery and is limited to the amount of costs recognized during the period. As a result of retrospective application of this policy, $10,125 of revenue and costs have been recognized through retained earnings in the opening IFRS balance sheet.

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

The IFRS statements of comprehensive income differ from the amounts reported in the Canadian GAAP statements of operations by the following amounts:

		Year ended December 31, 2010
Increase/(decrease) in:		
Revenue	$	(3,108)
Staff expense		(3,108)
Increase/(decrease) in profit before income taxes	$	-

(j) Under IFRS, subsidiaries with a functional currency that is not their local currency and that have foreign-denominated non-monetary assets or liabilities, requires a deferred tax asset/liability to be recorded based on foreign exchange movements during a given period. Under Canadian GAAP this was not required. Additionally, the IFRS financial statements differ by the income tax effect of the IFRS adjustments discussed above in this note. As a result of these changes, the IFRS deferred tax asset and deferred tax liability differs from the amounts reported in the Canadian GAAP balance sheets by the following amounts:

		December 31, 2010		January 1, 2010
Increase/(decrease) in:				
Property and equipment (note f)	$	309	$	31
Intangible assets (note g)		70		33
Foreign exchange on foreign-denominated non monetary assets (note j)		71		39
Deferred tax asset		450		103
Contingent consideration (note d)		(426)		(406)
Property and equipment (note f)		(416)		(716)
Intangible assets (note g)		(483)		(130)
Foreign exchange on foreign-denominated non monetary assets (note j)		(309)		(310)
Deferred tax liability		(1,634)		(1,562)
Decrease in accumulated other comprehensive income		(227)		-
Increase in retained earnings	$	2,311	$	1,665

Other comprehensive income under IFRS differs from the amounts reported in the Canadian GAAP financial statements by the following amounts:

		Year ended December 31, 2010
Increase/(decrease) in:		
Deferred income tax recovery	$	(646)
Increase in net income	$	(646)

The IFRS other comprehensive income for the year ended December 31, 2010 differs from the amount reported in the Canadian GAAP statements by $227.