Constellation Software Inc.

INTERIM FINANCIAL REPORT

Third Quarter Fiscal Year 2014

For the three and nine month periods ended
September 30, 2014
(UNAUDITED)

CONSTELLATION SOFTWARE INC.

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

The following discussion and analysis should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2014 and with our Annual Consolidated Financial statements for the year ended December 31, 2013, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. All references to "$" are to U.S. dollars and all references to "C$" are to Canadian dollars. Certain totals, subtotals and percentages may not reconcile due to rounding.

Additional information about Constellation Software Inc. (the "Company" or "Constellation"), including our most recently filed Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, October 30, 2014. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

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

The term ''Adjusted EBITA'' refers to net income before adjusting for finance and other income, finance costs, income taxes, share in net income or loss of equity investees, impairment of non-financial assets, amortization, and foreign exchange gain or loss. The Company believes that Adjusted EBITA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration intangible asset amortization and the other items listed above. ''Adjusted EBITA margin'' refers to the percentage that Adjusted EBITA for any period represents as a portion of total revenue for that period. Prior to

December 2013, the Company had reported "Adjusted EBITDA" in its MD&A. Adjusted EBITDA refers to Adjusted EBITA as defined above then further excludes depreciation. The Company uses depreciation as a proxy for the cash flows used to purchase property and equipment required to support the Company's main business activities. As such, the Company believes Adjusted EBITA is a more useful measure then Adjusted EBITDA.

''Adjusted net income'' means net income adjusted for non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, and certain other expenses (income). The Company believes that Adjusted net income is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration amortization of intangible assets, deferred income taxes, and certain other non-cash expenses (income) incurred or recognized by the Company from time to time. ''Adjusted net income margin'' refers to the percentage that Adjusted net income for any period represents as a portion of total revenue for that period.

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

Overview

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

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable, where applicable. Maintenance and other recurring revenue primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include ongoing customer support and rights to certain product updates "when and if available" and products sold on a subscription basis. Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions, as well as sales of customized hardware assembled internally. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs and other general operating expenses.

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

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2014	2013	$	%	2014	2013	$	%
	(Unaudited)				(Unaudited)			
Revenue	**418.8**	**315.9**	**102.9**	**33%**	**1,229.6**	**870.5**	**359.1**	**41%**
Expenses	318.6	257.8	60.8	24%	985.4	712.7	272.7	38%
Adjusted EBITA	**100.2**	**58.1**	**42.1**	**73%**	**244.2**	**157.7**	**86.4**	**55%**
Adjusted EBITA margin	24%	18%			20%	18%		
Amortization of intangible assets	43.2	33.8	9.4	28%	130.0	90.0	39.9	44%
Foreign exchange (gain) loss	6.4	(1.6)	8.0	NM	8.7	0.5	8.2	NM
Share in net (income) loss of equity investees	(0.2)	(0.3)	0.2	-50%	(0.7)	(0.7)	(0.0)	4%
Finance and other income	(0.9)	(0.4)	(0.5)	127%	(2.7)	(0.9)	(1.8)	209%
Finance costs	4.1	1.7	2.4	138%	10.9	5.0	5.9	119%
Income before income taxes	47.6	24.9	22.7	91%	98.0	63.8	34.2	54%
Income taxes expense (recovery)								
Current income tax expense (recovery)	21.5	4.6	16.9	370%	40.2	16.2	24.0	148%
Deferred income tax expense (recovery)	(5.8)	(1.9)	(3.9)	204%	(6.1)	(3.1)	(2.9)	93%
Income tax expense (recovery)	15.7	2.7	13.0	488%	34.2	13.1	21.1	161%
Net income	**31.9**	**22.2**	**9.7**	**44%**	**63.8**	**50.7**	**13.1**	**26%**
Adjusted net income	**69.3**	**54.1**	**15.2**	**28%**	**187.7**	**137.6**	**50.1**	**36%**
Adjusted net income margin	17%	17%			15%	16%		
Weighted average number of shares outstanding (000's)								
Basic and diluted	21,192	21,192			21,192	21,192		
Net income per share								
Basic and diluted	$ 1.51	$ 1.05	$ 0.46	44%	$ 3.01	$ 2.39	$ 0.62	26%
Adjusted EBITA per share								
Basic and diluted	$ 4.73	$ 2.74	$ 1.99	73%	$ 11.52	$ 7.44	$ 4.08	55%
Adjusted net income per share								
Basic and diluted	$ 3.27	$ 2.55	$ 0.72	28%	$ 8.86	$ 6.49	$ 2.36	36%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ 1.00	$ -	0%	$ 3.00	$ 3.00	$ -	0%

NM - Not meaningful

Comparison of the three and nine month periods ended September 30, 2014 and 2013

Revenue:

Total revenue for the quarter ended September 30, 2014 was $418.8 million, an increase of 33%, or $102.9 million, compared to $315.9 million for the comparable period in 2013. For the first nine months of 2014 total revenues were $1,229.6 million, an increase of 41%, or $359.1 million, compared to $870.5 million for the comparable period in 2013. The increase for both the three and nine month periods compared to the same periods in the prior year is mainly attributable to growth from acquisitions, however, the Company did experience positive organic growth of 4% and 5%, respectively. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation.

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

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2014	2013	$	%	2014	2013	$	%
	($M, except percentages)				($M, except percentages)			
Licenses	28.4	26.8	1.5	6%	85.2	71.6	13.6	19%
Professional services	99.6	62.8	36.8	59%	290.7	184.8	105.9	57%
Hardware and other	33.0	35.0	(2.0)	-6%	101.8	90.2	11.6	13%
Maintenance and other recurring	257.9	191.3	66.6	35%	751.9	523.9	228.0	44%
	418.8	315.9	102.9	33%	1,229.6	870.5	359.1	41%

$M - Millions of dollars

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

The following table displays our revenue by reportable segment and the percentage change for the three and nine months ended September 30, 2014 compared to the same periods in 2013:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2014	2013	$	%	2014	2013	$	%
	($M, except percentages)				($M, except percentages)			
Public Sector								
Licenses	18.2	17.0	1.2	7%	55.4	44.9	10.5	23%
Professional services	82.9	48.2	34.7	72%	239.6	142.4	97.2	68%
Hardware and other	27.5	30.9	(3.5)	-11%	85.9	78.1	7.7	10%
Maintenance and other recurring	166.3	116.0	50.3	43%	485.4	313.3	172.1	55%
	294.8	212.2	82.7	39%	866.3	578.7	287.6	50%
Private Sector								
Licenses	10.2	9.8	0.4	4%	29.8	26.7	3.2	12%
Professional services	16.6	14.5	2.1	14%	51.1	42.4	8.6	20%
Hardware and other	5.5	4.0	1.5	37%	15.9	12.1	3.8	32%
Maintenance and other recurring	91.7	75.3	16.3	22%	266.4	210.5	55.9	27%
	124.0	103.7	20.2	20%	363.3	291.8	71.5	25%

Comparative figures have been reclassified to conform to the current year's presentation.

Public Sector

For the quarter ended September 30, 2014, total revenue in the public sector reportable segment increased 39%, or $82.7 million to $294.8 million, compared to $212.2 million for the quarter ended September 30, 2013. For the nine months ended September 30, 2014, total revenue increased by 50%, or $287.6 million to $866.3 million, compared to $578.7 million for the comparable period in 2013. Total revenue growth from acquired businesses contributed approximately $75 million to our Q3 2014 revenues and $259 million to our nine months ended September 30, 2014 revenues compared to the same periods in 2013, as we completed 26 acquisitions since the beginning of 2013. Organic revenue growth was 4% in Q3 2014 and 5% for the nine months ended September 30, 2014 compared to the same periods in 2013.

Private Sector

For the quarter ended September 30, 2014, total revenue in the private sector reportable segment increased 20%, or $20.2 million to $124.0 million, compared to $103.7 million for the quarter ended September 30, 2013. For the nine months ended September 30, 2014, total revenue increased by 25%, or $71.5 million to $363.3 million, compared to $291.8 million for the comparable period in 2013. Total revenue growth from acquired businesses contributed approximately $17 million to our Q3 2014 revenues and $57 million to our nine months ended September 30, 2014 revenues compared to the same periods in 2013, as we completed 19 acquisitions since the beginning of 2013. Organic revenue growth was 3% in Q3 2014 and 5% for the nine months ended September 30, 2014 compared to the same periods in 2013.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Period-Over-Period Change $	Period-Over-Period Change %	Nine months ended September 30, 2014	Nine months ended September 30, 2013	Period-Over-Period Change $	Period-Over-Period Change %
	($M, except percentages)				($M, except percentages)			
Expenses								
Staff	213.2	167.5	45.7	27%	663.3	473.8	189.5	40%
Hardware	18.2	20.8	(2.6)	-12%	56.7	53.1	3.7	7%
Third party license, maintenance and professional services	39.0	27.6	11.4	41%	112.5	71.8	40.6	57%
Occupancy	10.2	7.9	2.3	30%	30.4	21.2	9.2	44%
Travel	12.3	11.2	1.1	10%	36.2	31.8	4.4	14%
Telecommunications	4.0	3.8	0.2	5%	12.1	10.3	1.9	18%
Supplies	8.3	5.8	2.5	43%	26.1	15.4	10.7	70%
Professional fees	6.3	4.0	2.3	57%	16.5	11.2	5.3	47%
Other, net	3.1	6.6	(3.6)	-54%	19.3	16.9	2.3	14%
Depreciation	4.1	2.6	1.4	54%	12.2	7.3	5.0	69%
	318.6	257.8	60.8	24%	985.4	712.7	272.7	38%

Overall expenses for the quarter ended September 30, 2014 increased 24%, or $60.8 million to $318.6 million, compared to $257.8 million during the same period in 2013. As a percentage of total revenue, expenses dropped to 76% for the quarter ended September 30, 2014 from 82% for the same period in 2013. During the nine months ended September 30, 2014, expenses increased 38%, or $272.7 million to $985.4 million, compared to $712.7 million during the same period in 2013. As a percentage of total revenue, expenses decreased to 80% for the nine months ended September 30, 2014 from 82% for the same period in 2013. Our average employee headcount grew 31% in 2014 from 6,589 for the quarter ended September 30, 2013 to 8,612 for the quarter ended September 30, 2014 primarily due to acquisitions.

Staff expense – Staff expenses increased 27% or $45.7 million for the quarter ended September 30, 2014 and 40% or $189.5 million for the nine months ended September 30, 2014 over the same periods in 2013. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2014	2013	$	%	2014	2013	$	%
	($M, except percentages)				($M, except percentages)			
Professional services	53.9	37.6	16.3	43%	167.8	108.8	59.0	54%
Maintenance	38.7	30.8	7.9	26%	117.5	89.7	27.8	31%
Research and development	60.0	47.7	12.3	26%	187.8	128.9	58.9	46%
Sales and marketing	29.2	23.5	5.8	24%	88.0	68.1	20.0	29%
General and administration	31.4	27.9	3.4	12%	102.2	78.3	23.8	30%
	213.2	167.5	45.7	27%	663.3	473.8	189.5	40%

The increase in staff expenses across all of our operating departments was primarily due to the growth in the number of employees compared to the same periods in 2013 primarily due to acquisitions. In addition, severance of approximately $1.6 million and $6.6 million for the three and nine months ended September 30, 2014 respectively, relating to a transformation program at Total Specific Solutions (TSS) B.V. ("TSS") was also recorded. We expect severance for the fourth quarter of 2014 to be in the range of $4 million to $6 million. The TSS acquisition had a proportionately higher number of professional services headcount and related revenue than our typical VMS businesses, which is contributing to the disproportionate increase to the expense in that department. Also, TSS currently has a greater proportion of headcount dedicated to research and development than our other VMS businesses. The negative impact of severance expenses was offset by approximately $4.9 million in credits recorded in Q3 2014 resulting from (i) a $2.9 million credit from lower US benefits claims in the first nine months of 2014 than amounts previously accrued and (ii) a $2 million credit resulting from the utilization (in Q3 2014) of vacation earned and accrued for in the first six months of 2014.

Hardware expenses – Hardware expenses decreased 12% or $2.6 million for the quarter ended September 30, 2014 and increased 7% or $3.7 million for the nine months ended September 30, 2014 over the same periods in 2013. Hardware margins for the three and nine months ended September 30, 2014 were 45% and 44% respectively as compared to 40% and 41% respectively, for the same periods in 2013. During Q3 2013, the QuadraMed business unit recorded a one-time hardware sale for approximately $5 million at a margin of 18%. The typical level of hardware sales activity for this business unit is less than $1 million per quarter. $0.3 million was recorded in Q3 2014 at a 58% margin, and explains the quarter over quarter expense decline.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 41% or $11.4 million for the quarter ended September 30, 2014 and 57% or $40.6 million for the nine months ended September 30, 2014 over the same periods in 2013. The increase is primarily due to an increase in maintenance and other recurring revenue for the three and nine months ended September 30, 2014 compared to the same period in 2013. Expenses for the nine month period ended September 30, 2014 have increased at a rate in excess of the growth in revenue as a result of the payment processing activities associated with the Club Solutions acquisition which closed on March 14, 2013. This business is highly dependent on the provision of services by third party payment processors.

Occupancy expenses – Occupancy expenses increased 30% or $2.3 million for the quarter ended September 30, 2014 and 44% or $9.2 million for the nine months ended September 30, 2014 over the same periods in 2013. The increase in occupancy expenses for both periods is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications and Supplies expenses – Travel, Telecommunications and Supplies expenses increased 18% or $3.8 million for the quarter ended September 30, 2014 and 30% or $17.0 million for the nine months ended September 30, 2014 over the same periods in 2013. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 57% or $2.3 million for the quarter ended September 30, 2014 and 47% or $5.3 million for the nine months ended September 30, 2014 over the same periods in 2013. The increase in professional fees is primarily due to expenses incurred by acquired businesses, plus approximately $0.5 million relating to the Company's debenture offering.

Other, net – Other expenses decreased 54% or $3.6 million for the quarter ended September 30, 2014 and increased 14% or $2.3 million for the nine months ended September 30, 2014 over the same periods in 2013. The following table provides a further breakdown of expenses within this category.

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2014	2013	$	%	2014	2013	$	%
	($M, except percentages)				($M, except percentages)			
Advertising and promotion	4.8	3.0	1.8	58%	14.8	9.4	5.4	57%
Recruitment and training	2.5	1.2	1.3	105%	6.7	3.6	3.1	84%
Bad debt expense	(0.8)	0.8	(1.6)	-194%	0.8	2.0	(1.2)	-61%
R&D tax credits	(6.3)	(1.9)	(4.4)	232%	(10.9)	(3.9)	(7.0)	177%
Contingent consideration	0.4	0.0	0.4	NM	0.6	(0.0)	0.7	NM
Other expense, net	2.5	3.5	(1.0)	-28%	7.2	5.8	1.4	25%
	3.1	6.6	(3.6)	-54%	19.3	16.9	2.3	14%

Advertising and promotion, and recruitment and training costs increased primarily due to expenses incurred by acquired businesses. The period over period percentage increases exceed the growth in revenue due to increased spending at TSS. The fluctuations in bad debt expense relate to the timing of adjustments made to provisions for uncollectable accounts receivable. In Q3 2014 accounts receivable balances of approximately $1 million that had previously been provided for were collected. The increases in R&D tax credits for both the three and nine month periods ended September 30, 2014 were due to increases in amounts accrued for each period. The company's policy with regards to accruing for R&D tax credits states that amounts should only be accrued once there is reasonable assurance that submitted claims will be approved by the tax authorities. There is deemed to be reasonable assurance that a claim will be approved once approval for one previously submitted claim has been obtained. In Q3 2014 approval was received for 2012 and 2013 claims made in the US and Australia. As a result a credit of $4.4 million was recorded in Q3 2014 relating to the prior period claims of 2012, 2013, and the first six months of 2014. The movement in contingent consideration expenses relate to the adjustment to expected earnout payments associated with acquisitions. The expected earnout payments have increased as a result of improvements to revenue forecasts for the associated acquisitions. Included in the other expense amount for Q3 2013 is a $2 million provision related to an impairment of a customer receivable. This amount was reversed in Q4 2013 after the Company successfully recovered the amount. A similar expense was not recorded in Q3 2014. The increase for the nine months ended September 30, 2014 is primarily due to expenses incurred by acquired businesses.

Depreciation – Depreciation of property and equipment increased 54% or $1.4 million for the quarter ended September 30, 2014 and 69% or $5.0 million for the nine months ended September 30, 2014 over the same periods in 2013. The increase in depreciation expense is primarily attributable to an increase in the carrying amount of our property and equipment asset balance over the twelve month period ended September 30, 2014 as a result of acquisitions completed during this period.

Other Income and Expenses:

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

	Three months ended September 30, 2014	Three months ended September 30, 2013	Period-Over-Period Change $	Period-Over-Period Change %	Nine months ended September 30, 2014	Nine months ended September 30, 2013	Period-Over-Period Change $	Period-Over-Period Change %
	($M, except percentages)				($M, except percentages)			
Amortization of intangible assets	43.2	33.8	9.4	28%	130.0	90.0	39.9	44%
Foreign exchange (gain) loss	6.4	(1.6)	8.0	NM	8.7	0.5	8.2	NM
Share in net (income) loss of equity investees	(0.2)	(0.3)	0.2	-50%	(0.7)	(0.7)	(0.0)	4%
Finance and other income	(0.9)	(0.4)	(0.5)	127%	(2.7)	(0.9)	(1.8)	209%
Finance costs	4.1	1.7	2.4	138%	10.9	5.0	5.9	119%
Income tax expense (recovery)	15.7	2.7	13.0	488%	34.2	13.1	21.1	161%
	68.3	35.8	32.5	91%	180.4	107.1	73.3	68%

NM - Not meaningful

Amortization of intangible assets – Amortization of intangible assets increased 28% or $9.4 million for the quarter ended September 30, 2014 and 44% or $39.9 million for the nine months ended September 30, 2014 over the same periods in 2013. The increase in amortization expense is attributable to an increase in the carrying amount of our intangible asset balance over the twelve month period ended September 30, 2014 as a result of acquisitions completed during this period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the quarter ended September 30, 2014, we realized a foreign exchange loss of $6.4 million compared to a gain of $1.6 million for the quarter ended September 30, 2013. For the nine months ended September 30, 2014 the foreign exchange loss was $8.7 million compared to a foreign exchange loss of $0.5 million for the same period in 2013. During the three and nine months ended September 30, 2014 a $3.9 million expense was recorded relating to an intercompany loan with TSS denominated in Euros which did not exist in 2013. The remaining foreign exchange gains and losses are due to realized gains and losses on the settlement of certain non-US denominated liabilities and due to holding, or unrealized, losses on certain non-US denominated liabilities.

Share in net (income) loss of equity investees – Share in the net (income) loss of equity investees was income of $0.2 million and income of $0.7 million for the three and nine months ended September 30, 2014 respectively, compared to income of $0.3 million and income of $0.7 million for the same periods in 2013.

Finance and other income – Finance and other income for the quarter ended September 30, 2014 was $0.9 million compared to $0.4 million for the quarter ended September 30, 2013. During the nine months ended September 30, 2014, finance and other income was $2.7 million compared to $0.9 million for the same period in 2013. The increase in finance and other income for Q3 2014 primarily relates to a $0.2 million gain recorded on the sale of non-current assets. A similar gain was not recorded in Q3 2013. The increase for the nine months ended September 30, 2014 is primarily due to a $1 million adjustment relating to the acquired net tangible assets of an acquisition which closed in January 2013. A similar adjustment was not made in the comparable period in 2013. In addition a gain of $0.6 million relating to the sale of equity securities available-for-sale was recorded in the nine months ended September 30, 2014 and no similar gain was recorded in the nine months ended September 30, 2013.

Finance costs – Finance costs for the quarter ended September 30, 2014 increased $2.4 million to $4.1 million, compared to $1.7 million for the quarter ended September 30, 2013. During the nine months ended September 30, 2014, finance costs increased $5.9 million to $10.9 million, from $5.0 million over the same period in 2013. The increase in finance costs primarily relates to increased interest expense on our credit facilities resulting from increased average borrowings in 2014 compared to 2013.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the quarter ended September 30, 2014, income tax expense increased $13.0 million to $15.7 million compared to $2.7 million for the quarter ended September 30, 2013. During the nine months ended September 30, 2014, income tax expense increased $21.1 million to $34.2 million compared to $13.1 million for the same period in 2013. Current tax expense as a percentage of adjusted net income before tax was 24% and 18% for the three and nine months ended September 30, 2014 respectively, versus 8% and 11% for the comparable periods in 2013. This rate, which has historically approximated our cash tax rate, has ranged between 10% and 12% annually from 2011 to 2013. The quarterly rate can sometimes fall outside of the annual range due to out of period adjustments. As a result of the depletion of tax credits available to certain Canadian entities and a proportionately higher level of profitability in the US, the rate has gradually increased in 2014. In Q3 2014, a current tax expense adjustment relating to a prior year tax filing was recorded in the amount of $2.5 million. In addition, a current tax expense of $5.2 million was recorded in Q3 2014 that will not actually result in a cash outlay due to the utilization of R&D tax credits. For the nine months ended September 30, 2014 R&D tax credits in the amount of $12.8 million are expected to be utilized to offset taxes payable on taxable income. Current tax expense however reflects gross taxes before the application of R&D tax credits. The deferred income tax recovery increase of $3.9 million for the quarter ended September 30, 2014 and $2.9 million for the nine months ended September 30, 2014, relates to various items including changes in recognition of certain deferred income tax assets.

Net Income and Earnings per Share:

Net income for the quarter ended September 30, 2014 was $31.9 million compared to net income of $22.2 million for the same period in 2013. On a per share basis this translated into a net income per diluted share of $1.51 in the quarter ended September 30, 2014 compared to net income per diluted share of $1.05 in the quarter ended September 30, 2013. For the nine months ended September 30, 2014, net income was $63.8 million or $3.01 per diluted share compared to $50.7 million or $2.39 per diluted share for the same period in 2013. There were no changes in the number of shares outstanding.

Adjusted EBITA:

For the quarter ended September 30, 2014, Adjusted EBITA increased to $100.2 million compared to $58.1 million in the quarter ended September 30, 2013 representing an increase of 73%. Adjusted EBITA margin was 24% for the quarter ended September 30, 2014 and 18% for the same period in 2013. For the first nine months of 2014, Adjusted EBITA increased to $244.2 million compared to $157.7 million during the same period in 2013, representing an increase of 55%. Adjusted EBITA margin was 20% in the first nine months of 2014 and 18% for the same period in 2013. EBITA margins for the three and nine month periods ended September 30, 2014 were positively impacted by the following items; $3.8 million settlement payment received and recorded as professional services revenue with no offsetting expense (see "Acquisition of certain software assets and liabilities from MAXIMUS Inc."), $2.9 million credit relating to US benefits claims (see "Staff expense"), $2 million dollar reversal of vacation accruals (see "Staff expense"), $1 million recovery of bad debt (see "Other, net"), and $4.4 million of R&D tax credits relating to prior periods (see "Other, net"). Excluding these items the EBITA margin would have been 21% and 19% for the three and nine month periods ending September 30, 2014 respectively. Similar adjustments were not recorded in 2013.

See “Non-IFRS Measures” for a description of Adjusted EBITA and Adjusted EBITA margin.

The following table reconciles Adjusted EBITA to net income:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	($M, except percentages)		($M, except percentages)	
Total revenue	418.8	315.9	1,229.6	870.5
Net income	31.9	22.2	63.8	50.7
Adjusted for:				
Income tax expense (recovery)	15.7	2.7	34.2	13.1
Foreign exchange (gain) loss	6.4	(1.6)	8.7	0.5
Share in net (income) loss of equity investees	(0.2)	(0.3)	(0.7)	(0.7)
Finance and other income	(0.9)	(0.4)	(2.7)	(0.9)
Finance costs	4.1	1.7	10.9	5.0
Amortization of intangible assets	43.2	33.8	130.0	90.0
Adjusted EBITA	100.2	58.1	244.2	157.7
Adjusted EBITA margin	24%	18%	20%	18%

Adjusted net income:

For the quarter ended September 30, 2014, Adjusted net income increased to $69.3 million from $54.1 million for the quarter ended September 30, 2013, representing an increase of 28%. Adjusted net income margin was 17% for both the quarters ended September 30, 2014 and September 30, 2013. For the first nine months of 2014, Adjusted net income increased to $187.7 million from $137.6 million during the same period in 2013, representing an increase of 36%. Adjusted net income margin was 15% in the first nine months of 2014 and 16% for the comparable period in 2013. Adjusted net income margins were positively impacted by the same items explained in the “Adjusted EBITA” section above on an after tax basis. See “Non-IFRS Measures” for a description of Adjusted net income and Adjusted net income margin.

The following table reconciles Adjusted net income to net income:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	($M, except percentages)		($M, except percentages)	
Total revenue	418.8	315.9	1,229.6	870.5
Net income	31.9	22.2	63.8	50.7
Adjusted for:				
Amortization of intangible assets	43.2	33.8	130.0	90.0
Deferred income tax expense (recovery)	(5.8)	(1.9)	(6.1)	(3.1)
Adjusted net income	69.3	54.1	187.7	137.6
Adjusted net income margin	17%	17%	15%	16%

Quarterly Results (unaudited)

	Quarter Ended							
	Dec. 31 2012	Mar. 31 2013	Jun. 30 2013	Sep. 30 2013	Dec. 31 2013	Mar. 31 2014	Jun. 30 2014	Sep. 30 2014
	($M, except per share amounts)							
Revenue	261.0	256.4	298.2	315.9	340.3	394.8	415.9	418.8
Net Income	40.1	9.2	19.2	22.2	42.5	8.9	23.0	31.9
Adjusted Net Income	62.3	33.3	50.1	54.1	69.2	53.3	65.0	69.3
Net Income per share								
Basic & diluted	1.89	0.43	0.91	1.05	2.00	0.42	1.08	1.51
Adjusted Net Income per share								
Basic & diluted	2.94	1.57	2.36	2.55	3.26	2.52	3.07	3.27

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

Acquisition of Total Specific Solutions (TSS) B.V. ("TSS")

On December 31, 2013, the Company acquired 100% of the shares of TSS for aggregate cash consideration of approximately $342 million (€248 million). The tables below provide certain supplemental income statement and cash flow information of TSS for the three and nine months ended September 30, 2014. TSS is not considered a reportable operating segment of Constellation, however, management has chosen to provide certain supplemental financial information to provide greater clarity into the operating performance and cash flow from operations of TSS.

($M, except percentages)

	For the three months ended September 30, 2014			For the nine months ended September 30, 2014		
(Unaudited)	Constellation Software Inc. (excluding TSS)	TSS	Consolidated	Constellation Software Inc. (excluding TSS)	TSS	Consolidated
Revenue						
Licenses	$ 26.3	$ 2.1	$ 28.4	$ 79.5	$ 5.7	$ 85.2
Professional services	79.1	20.4	99.5	227.8	62.9	290.7
Hardware and other	32.9	0.2	33.0	101.1	0.8	101.8
Maintenance and other recurring	224.5	33.4	257.9	650.0	101.9	751.9
	362.8	56.0	418.8	1,058.3	171.3	1,229.6
Expenses	272.4	46.2	318.6	832.5	152.9	985.4
Adjusted EBITA	90.4	9.8	100.2	225.8	18.4	244.2
Adjusted EBITA margin	25%	18%	24%	21%	11%	20%
Net Income	$ 34.8	$ (2.9)	$ 31.9	$ 78.0	$ (14.2)	$ 63.8
Cash flows from operating activities:						
Net income	$ 34.8	$ (2.9)	$ 31.9	$ 78.0	$ (14.2)	$ 63.8
Adjustments to reconcile net income to net cash flows from operations, including taxes paid:	57.0	13.4	70.4	139.2	33.9	173.0
Change in non-cash operating working capital	26.1	(27.4)	(1.3)	3.6	4.2	7.8
Cash flows from operating activities	$ 117.9	$ (16.9)	$ 101.0	$ 220.7	$ 23.9	$ 244.6

($M, except percentages)

	For the three months ended September 30, 2014			For the nine months ended September 30, 2014		
(Unaudited)	Constellation Software Inc. (excluding TSS)	TSS	Consolidated	Constellation Software Inc. (excluding TSS)	TSS	Consolidated
Total revenue	$ 362.8	$ 56.0	$ 418.8	$ 1,058.3	$ 171.3	$ 1,229.6
Net income	34.8	(2.9)	31.9	78.0	(14.2)	63.8
Adjusted for:						
Income tax expense	16.1	(0.4)	15.7	38.6	(4.4)	34.2
Other expenses, net	6.0	3.4	9.4	9.1	7.2	16.2
Amortization of intangible assets	33.5	9.7	43.2	100.3	29.8	130.0
Adjusted EBITA	90.4	9.8	100.2	225.8	18.4	244.2
Adjusted EBITA margin	25%	18%	24%	21%	11%	20%

($M, except percentages)

(Unaudited)	For the three months ended September 30, 2014 Constellation Software Inc. (excluding TSS)	TSS	Consolidated	For the nine months ended September 30, 2014 Constellation Software Inc. (excluding TSS)	TSS	Consolidated
Total revenue	$ 362.8	$ 56.0	$ 418.8	$ 1,058.3	$ 171.3	$ 1,229.6
Net income	34.8	(2.9)	31.9	78.0	(14.2)	63.8
Adjusted for:						
Amortization of intangible assets	33.5	9.7	43.2	100.3	29.8	130.0
Deferred income tax expense (recovery)	(4.5)	(1.3)	(5.8)	(0.5)	(5.6)	(6.1)
Adjusted net income	63.8	5.5	69.3	177.7	10.0	187.7
Adjusted net income margin	18%	10%	17%	17%	6%	15%

Acquisition of certain software assets and liabilities from MAXIMUS Inc.

On September 30, 2008, Constellation acquired certain assets and liabilities of Maximus Inc.'s Asset, Justice, and Education Solutions businesses ("MAJES") including certain long-term contracts that contained contingent liabilities that the Company believed were unlikely to exceed $16 million in the aggregate. The contingent liabilities related 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 represented the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition. Beginning in February 2011, MAXIMUS Inc. ("Maximus") and a subsidiary of Constellation, as a result of receiving a letter from a customer, initiated the dispute resolution process under the customer's contract. The customer alleged that the subsidiary of Constellation and Maximus failed to provide the services and products required to be delivered under the contract. In December 2012, the subsidiary of Constellation obtained a favorable arbitration ruling in the amount of $10 million which was subsequently reduced in July 2013 to $6 million by a court judgment. The July 2013 court ruling also resolved an additional claim filed by the customer alleging no contract existed between the parties. In September 2013 the customer initiated the appeals process in relation to the July 2013 court ruling. In September 2014 the customer and the subsidiary of Constellation reached a settlement resulting in the customer making a payment in the amount of $3.8 million and issuing a full release from further litigation on the matter. The proceeds of $3.8 million have been recorded as Professional services revenue in the condensed consolidated interim statements of income. The remaining contingent liabilities on the acquired MAJES contracts is $7 million.

Liquidity

Our net borrowings (bank indebtedness excluding capitalized transaction costs less cash) decreased by $115.4 million to $285.2 million in the nine months ended September 30, 2014 resulting from cash flows from operations exceeding capital deployed on acquisitions. The amount drawn on our credit facilities decreased by $111.9 million to $366.7 million at September 30, 2014 from $478.6 million at the end of 2013, and cash increased by $3.6 million to $81.6 million at September 30, 2014 compared to $78.0 million at December 31, 2013.

Total assets decreased $101.3 million, from $1,537.7 million at December 31, 2013 to $1,436.4 million at September 30, 2014. The decrease is primarily due to a decrease in intangible assets of $102.6 relating to the amortization of intangible assets for accounting purposes. At September 30, 2014 TSS held a cash balance of $34.0 million. As explained in the "Capital Resources and Commitments" section below, there are limitations on TSS' ability to distribute funds to Constellation's corporate head office.

Current liabilities decreased $239.7 million, from $1,108.9 million at December 31, 2013 to $869.2 million at September 30, 2014. The decrease is primarily due to a decrease in current bank indebtedness of $274.9 million primarily relating to repayments of $96.8 million and the reclassification of bank indebtedness in the amount of $158.5 million to non-current liabilities as a result of the refinancing which is explained in the "Capital Resources and Commitments" section below. Also contributing to the decrease was a decrease in accounts payable and accrued liabilities of $24.7 million primarily resulting from the payment of the 2013 accrued bonus during the nine months ended September 30, 2014. Offsetting the decreases was an increase in deferred revenue of $55.5 million mainly due to acquisitions and the timing of maintenance and other billings versus performance and delivery under those customer arrangements, and an increase to income taxes payable of $15.6 million. The Company has elected to present the amounts drawn under its revolving facility of $56.8 million as a current liability notwithstanding that the amounts are not due to be repaid until February 2016 on the basis that it is expected to be repaid by the Company using cash flows from operations generated in the following year.

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

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Net cash provided by operating activities	244.6	139.5
Net cash from (used in) financing activities	(175.4)	36.3
Net cash from (used in) acquisition activities	(52.8)	(168.8)
Net cash from (used in) other investing activities	(8.7)	(2.7)
Net cash from (used in) investing activities	(61.6)	(171.5)
Effect of foreign currency	(4.0)	(0.6)
Net increase (decrease) in cash and cash equivalents	**3.6**	**3.6**

The net cash flows from operating activities were $244.6 million for the nine months ended September 30, 2014. The $244.6 million provided by operating activities resulted from $63.8 million in net income, plus $192.6 million of non-cash adjustments to net income, $7.8 million of cash generated by a decrease in our non-cash operating working capital, offset by $19.5 million in taxes paid.

The net cash flows used in financing activities in the nine months ended September 30, 2014 was $175.4 million, which is mainly a result of dividends paid in the period of $63.6 million and a decrease in bank indebtedness of $96.8 million.

The net cash flows used in investing activities in the nine months ended September 30, 2014 was $61.6 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $52.8 million (including payments for holdbacks relating to prior acquisitions).

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

Capital Resources and Commitments

On March 13, 2012, we entered into a new revolving credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300 million. The revolving credit facility bears a variable interest rate and is due in full on February 29, 2016 with no fixed repayments required over the term to maturity. Interest rates are calculated at prime or LIBOR plus interest rate spreads based on a leverage table. The credit facility is collateralized by substantially all of our assets including the assets of the majority of our material subsidiaries. The credit facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries until 2016. As at September 30, 2014, we had drawn $56.8 million on this facility, and letters of credit totaling $14.0 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with this facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. As at September 30, 2014, the carrying amount of such costs relating to this facility and Constellation's term facility described below totalling $0.7 million has been classified as part of bank indebtedness in the statement of financial position.

On December 6, 2013, we amended our credit facility to facilitate the acquisition of TSS. A new one year $350 million term facility was added solely for the purposes of funding the TSS acquisition and related expenses (the "TSS Acquisition Facility").

On June 24, 2014 Constellation Software Netherlands Holding Cooperatief U.A. ("CNH"), a subsidiary of Constellation and the indirect owner of 100% of TSS, entered into a €150 million (approximately $190 million) term and €10 million (approximately $13 million) multicurrency revolving credit facility (the "CNH Facility") with a number of European and North American financial institutions. The CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The CNH Facility is collateralized by substantially all of the assets owned by CNH and its subsidiaries which includes substantially all of the assets of TSS and its subsidiaries. The CNH Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. On June 24, 2014, €130 million (approximately $165 million) was drawn on the term component of the CNH Facility and used to repay a portion of the TSS Acquisition Facility. €30 million must be repaid in instalments over the next six years, and €100 million is non-amortizing and due in seven years. The remaining €20 million term component of the CNH Facility remains undrawn. If drawn, principal must be repaid in five equal instalments starting on June 24, 2018. As at September 30, 2014 no amounts had been drawn on the €10 million multicurrency revolving component of the CNH Facility. The revolving component of the CNH Facility is available for acquisitions, working capital needs, and other general corporate purposes until June 24, 2020. Transaction costs associated with the CNH Facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. As at September 30, 2014, the carrying amount of such costs relating to this facility totalling $6 million (€5 million) has been classified as part of non-current bank indebtedness in the statement of financial position.

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

On June 24, 2014, we further amended the Constellation credit facility to accommodate the CNH financing. The $350 million TSS Acquisition Facility was reduced to a $150 million term facility to reflect the payment received from the proceeds of the CNH Facility.

The TSS Acquisition Facility is non-amortizing, bears interest at a rate calculated at prime or LIBOR plus interest rate spreads based on a leverage table consistent with the spreads applicable to Constellation's revolving credit facility, and matures on December 31, 2014. The TSS Acquisition Facility is subject to the existing security requirements of Constellation's revolving credit facility, which includes security covering the majority of Constellation's and its subsidiaries' (other than CNH and its subsidiaries) present and future real and personal property, assets and undertakings, and is subject to various debt covenants. As at September 30, 2014 $145.0 million remains outstanding on the TSS Acquisition Facility.

In accordance with the terms of the purchase and sale agreement for the TSS acquisition, and on the basis of the term sheets attached thereto, Constellation and the sellers of TSS are currently negotiating in good faith to reach agreement on a membership agreement pursuant to which the sellers and members of TSS' executive management team would acquire a significant minority stake in CNH. Any proceeds from this transaction will be applied to repay the TSS Acquisition Facility. The completion of the membership agreement has taken longer than originally anticipated, however it is expected that an agreement will be in place prior to the end of 2014.

On August 8, 2014 Constellation announced it had filed a final short form prospectus in relation to a rights offering pursuant to which the Company distributed rights that entitled holders of common shares of the Company as of the close of business on August 21, 2014 to purchase up to C$100 million aggregate principal amount of unsecured subordinated floating rate debentures of the Company. The net proceeds of the rights offering are expected to be applied against the TSS Acquisition Facility. The debentures have a maturity date of March 31, 2040 (the "Maturity Date"). From and including the date of issue to but excluding March 31, 2015, the debentures will bear interest at a rate of 7.4% per annum. From and including March 31, 2015 to but excluding the Maturity Date, the interest rate applicable to the debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the annual average percentage change in the All-items Consumer Price Index during the 12 month period ending on December 31 in the prior year (which amount may be positive or negative) plus 6.5%. Notwithstanding the foregoing, the interest rate applicable to the debentures will not be less than 0%. The debentures will be redeemable in certain circumstances at the option of the Company or the holder. Further details regarding the rights offering can be found in the final short form prospectus of the Company dated August 7, 2014 which has been filed on SEDAR at www.sedar.com. On October 1, 2014, subsequent to the end of Q3, Constellation announced it had completed the first tranche of the rights offering. A total of C$68 million principal amount of debentures were subscribed for by, and issued to, holders who exercised their rights prior to the early exercise date of September 22, 2014. The debentures were issued at a price of C$95.00 per C$100 principal amount of debentures purchased representing proceeds to Constellation of C$65 million. The funds were subsequently applied against the TSS Acquisition Facility. The remaining rights are exercisable until November 7, 2014. Any rights not exercised by that date will be void and of no further value. The debentures will not be listed, or begin trading, on the TSX until on or after November 19, 2014.

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration, or earn out obligations, based on the future performance of the acquired business. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at September 30, 2014.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact could significantly affect future net earnings. Our analysis related to the change in average exchange rates from 2013 to 2014 suggests that the impact to EBITA for the three and nine months ended September 30, 2014 had less than a 1% impact to EBITA margins. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition. The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. In entering into these forward exchange contracts, the Company is exposed to the credit risk of the counterparties to such contracts and the possibility that the counterparties will default on their payment obligations under these contracts. However, given that the counterparties are Schedule 1 banks or affiliates thereof, the Company believes these risks are not material. During the nine months ended September 30, 2014, the Company did not purchase any contracts of this nature.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the three and nine month periods ended September 30, 2014:

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	58%	51%	59%	52%
CAD	6%	10%	6%	10%
GBP	8%	9%	8%	8%
EURO	20%	20%	20%	21%
CHF	2%	3%	2%	3%
Others	6%	7%	5%	6%
Total	100%	100%	100%	100%

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

Proposed Transactions

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

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended September 30, 2014, and have not been applied in preparing our consolidated financial statements. The relevant standards are listed below.

IFRS 9 Financial Instruments

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

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

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

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

The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. We are assessing the impact of this standard on our consolidated financial statements.

Annual Improvements to IFRS

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards. Most of the amendments will apply prospectively for annual periods beginning on or after July 1, 2014. The Company intends to apply these amendments in its financial statements for the annual periods beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years ending on or after January 1, 2017 and is available for early adoption. The standard contains a single model that applies to contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

Share Capital

As at September 30, 2014, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors, including those set forth below and also those included in our most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Canada Revenue Agency Reassessment and Other Tax Uncertainties

In July 2012, a subsidiary of Constellation received a notice of reassessment for the 2004 taxation year from the Canadian tax authorities ("CRA") which increased taxable income of the subsidiary by approximately $20 million relating to a gain on the sale of property between entities under common control. As a result of the notice of reassessment, the CRA has determined that the subsidiary owes approximately $6 million in federal tax and interest and approximately $5 million in provincial tax and interest. In order to appeal the reassessment, the subsidiary paid $8 million in September 2012 representing 50% of the amount owing from the federal reassessment and 100% of the amount owing from the provincial reassessment. At this stage, the Company believes the proposed reassessment is without merit and is challenging the reassessment. In February 2013 the Company filed an appeal with the Tax Court of Canada. The Company believes that it has adequately provided for the probable outcome in respect of this matter and as such no additional provision has been recorded in these financial statements during the period. There is no assurance, however, that the Company's appeal will be successful and, if unsuccessful, the Company's future financial results and tax expense could be adversely affected. The $8 million payment made in September 2012 has been recorded in other non-current assets, representative of the deposit on account.

The Company is subject to various other income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of such other outstanding audits and claims remains uncertain, it is expected that they will be resolved without a material impact to the Company's financial position.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At September 30, 2014, the President and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The President and Chief Financial Officer have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

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

The President and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the period ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

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

Condensed Consolidated Interim Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the three and nine months ended September 30, 2014 and 2013

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash	$ 81,601	$ 77,967
Equity security available-for-sale	-	780
Accounts receivable	184,434	191,446
Work in progress	62,925	55,728
Inventories	28,192	21,145
Other assets (note 5)	59,938	65,115
	417,090	412,181
Non-current assets:		
Property and equipment	35,267	36,017
Deferred income taxes	65,970	71,673
Other assets (note 5)	39,011	36,171
Intangible assets (note 6)	879,067	981,662
	1,019,315	1,125,523
Total assets	$ 1,436,405	$ 1,537,704
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7 and 13)	$ 202,303	$ 477,170
Accounts payable and accrued liabilities	235,868	260,585
Dividends payable (note 10)	20,819	21,031
Deferred revenue	361,729	306,213
Provisions (note 8)	9,143	11,887
Acquisition holdback payments	18,208	26,496
Income taxes payable	21,106	5,474
	869,176	1,108,856
Non-current liabilities:		
Deferred income taxes	104,759	112,780
Bank indebtedness (note 7 and 13)	157,251	-
Acquisition holdback payments	7,117	4,203
Other liabilities (note 5)	47,174	45,866
	316,301	162,849
Total liabilities	1,185,477	1,271,705
Shareholders' equity (note 10):		
Capital stock	99,283	99,283
Accumulated other comprehensive income	(10,066)	449
Retained earnings	161,711	166,267
	250,928	265,999
Subsequent events (notes 10 and 17)		
Total liabilities and shareholders' equity	$ 1,436,405	$ 1,537,704

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Revenue				
License	$ 28,362	$ 26,836	$ 85,200	$ 71,561
Professional services	99,553	62,777	290,713	184,827
Hardware and other	32,950	34,953	101,798	90,238
Maintenance and other recurring	257,942	191,311	751,876	523,871
	418,807	315,877	1,229,587	870,497
Expenses				
Staff	213,195	167,493	663,293	473,840
Hardware	18,243	20,800	56,737	53,057
Third party license, maintenance and professional services	38,979	27,579	112,494	71,848
Occupancy	10,237	7,895	30,401	21,169
Travel	12,263	11,154	36,213	31,785
Telecommunications	4,021	3,831	12,118	10,258
Supplies	8,260	5,782	26,141	15,405
Professional fees	6,293	3,999	16,543	11,220
Other, net	3,051	6,639	19,255	16,908
Depreciation	4,054	2,624	12,235	7,258
Amortization of intangible assets	43,184	33,773	129,971	90,034
	361,780	291,569	1,115,401	802,782
Foreign exchange loss (gain)	6,359	(1,636)	8,708	500
Share in net (income) loss of equity investee (note 5)	(150)	(300)	(685)	(657)
Finance and other income (note 11)	(853)	(375)	(2,707)	(875)
Finance costs (note 11)	4,059	1,705	10,901	4,972
	9,415	(606)	16,217	3,940
Income before income taxes	47,612	24,914	97,969	63,775
Current income tax expense (recovery)	21,452	4,563	40,246	16,230
Deferred income tax expense (recovery)	(5,765)	(1,896)	(6,056)	(3,133)
Income tax expense (recovery) (note 9)	15,687	2,667	34,190	13,097
Net income	31,925	22,247	63,779	50,678
Earnings per share				
Basic and diluted (note 12)	$ 1.51	$ 1.05	$ 3.01	$ 2.39

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Net income	$ 31,925	$ 22,247	$ 63,779	$ 50,678
Items that are or may be reclassified subsequently to net income:				
Net change in fair value of available-for-sale financial asset during the period	-	(115)	93	157
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial asset	-	-	(574)	-
Foreign currency translation differences from foreign operations	(11,695)	2,083	(10,057)	(1,350)
Current income tax recovery (expense)	-	92	35	13
Deferred income tax recovery (expense)	-	-	(12)	-
Other comprehensive (loss) income for the period, net of income tax	(11,695)	2,060	(10,515)	(1,180)
Total comprehensive income for the period	$ 20,230	$ 24,307	$ 53,264	$ 49,498

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Nine months ended September 30, 2014	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, 2014	**$ 99,283**	**$ (32)**	**$ 481**	**$ 449**	**$ 166,267**	**$ 265,999**
Total comprehensive income for the period						
Net income	-	-	-	-	63,779	63,779
Other comprehensive income (loss)						
Net change in fair value of available-for-sale financial asset during the period	-	-	93	93	-	93
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial assets	-	-	(574)	(574)	-	(574)
Foreign currency translation differences from foreign operations	-	(10,057)	-	(10,057)	-	(10,057)
Current tax recovery (expense)	-	35	-	35	-	35
Deferred tax recovery (expense)	-	(12)	-	(12)	-	(12)
Total other comprehensive income (loss) for the period	**-**	**(10,034)**	**(481)**	**(10,515)**	**-**	**(10,515)**
Total comprehensive income (loss) for the period	**-**	**(10,034)**	**(481)**	**(10,515)**	**63,779**	**53,264**
Transactions with owners, recorded directly in equity						
Dividends to shareholders of the Company (note 10)	-	-	-	-	(63,576)	(63,576)
Fair value of rights offered to shareholders of the Company (note 10)					(4,759)	(4,759)
Balance at September 30, 2014	**$ 99,283**	**$ (10,066)**	**$ -**	**$ (10,066)**	**$ 161,711**	**$ 250,928**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)
Nine months ended September 30, 2013

	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, 2013	**$ 99,283**	**$ 1,450**	**$ 171**	**$ 1,621**	**$ 157,900**	**$ 258,804**
Total comprehensive income for the period						
Net income	-	-	-	-	50,678	50,678
Other comprehensive income (loss)						
Net change in fair value of available-for-sale financial assets during the period	-	-	157	157	-	157
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial assets	-	-	-	-	-	-
Foreign currency translation differences from foreign operations	-	(1,350)	-	(1,350)	-	(1,350)
Current tax recovery (expense)	-	13	-	13	-	13
Deferred tax recovery (expense)	-	-		-	-	-
Total other comprehensive income for the period	**-**	**(1,337)**	**157**	**(1,180)**	**-**	**(1,180)**
Total comprehensive income for the period	**-**	**(1,337)**	**157**	**(1,180)**	**50,678**	**49,498**
Transactions with owners, recorded directly in equity						
Dividends to shareholders of the Company (note 10)	-	-	-	-	(63,576)	(63,576)
Balance at September 30, 2013	**$ 99,283**	**$ 113**	**$ 328**	**$ 441**	**$ 145,002**	**$ 244,726**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Cash flows from operating activities:				
Net income	$ 31,925	$ 22,247	$ 63,779	$ 50,678
Adjustments for:				
Depreciation	4,054	2,624	12,235	7,258
Amortization of intangible assets	43,184	33,773	129,971	90,034
Share in net (income) loss of equity investee	(150)	(300)	(685)	(657)
Finance and other income	(853)	(375)	(2,707)	(875)
Finance costs	4,059	1,705	10,901	4,972
Income tax expense	15,687	2,667	34,190	13,097
Foreign exchange loss (gain)	6,359	(1,636)	8,708	500
Change in non-cash operating working capital exclusive of effects of business combinations (note 16)	(1,305)	32,317	7,785	(5,932)
Income taxes paid	(1,909)	(5,440)	(19,539)	(19,609)
Net cash flows from operating activities	101,051	87,582	244,638	139,466
Cash flows from (used in) financing activities:				
Interest paid	(3,185)	(1,053)	(8,198)	(2,334)
Increase (decrease) in other non current liabilities	-	(191)	-	(70)
Increase (decrease) in bank indebtedness, net	(67,300)	(36,949)	(96,782)	102,302
Credit facility transaction costs	(1,425)	-	(6,864)	-
Dividends paid	(21,192)	(21,192)	(63,576)	(63,576)
Net cash flows from (used in) in financing activities	(93,102)	(59,385)	(175,420)	36,322
Cash flows from (used in) investing activities:				
Acquisition of businesses, net of cash acquired (note 4)	(16,399)	(7,073)	(38,296)	(152,124)
Post-acquisition settlement payments, net of receipts	(6,528)	(6,008)	(14,545)	(16,693)
Proceeds from sale of available-for-sale equity securities	-	-	873	-
Interest and dividends received	40	348	272	348
Proceeds from sale of assets	153	(105)	153	5,439
Property and equipment purchased	(1,020)	(3,181)	(10,024)	(8,478)
Net cash flows used in investing activities	(23,754)	(16,019)	(61,567)	(171,508)
Effect of foreign currency on cash and cash equivalents	(3,870)	420	(4,017)	(631)
Increase (decrease) in cash and cash equivalents	(19,675)	12,598	3,634	3,649
Cash, beginning of period	101,276	32,364	77,967	41,313
Cash, end of period	$ 81,601	$ 44,962	$ 81,601	$ 44,962

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim 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 condensed consolidated interim financial statements of Constellation as at and for the period ended September 30, 2014 comprise Constellation and its subsidiaries (together referred to as the "Company") and the Company's interest in associates. The Company 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.

Public Sector:

Public transit operators	Asset management	Municipal systems
Para transit operators	Fleet and facility management	School administration
School transportation	District attorney	Public safety
Non-emergency medical	Taxi dispatch	Healthcare
Ride share	Benefits administration	Rental
Local government	Insurance	Electric utilities
Agri-business	Collections management	Court
Marine asset management	Water utilities	School and special library
Communications		

Private Sector:

Private clubs & daily fee golf courses	Lease management	Window manufacturers
Construction	Winery management	Cabinet manufacturers
Food services	Buy here pay here dealers	Made-to-order manufacturers
Health clubs	RV and marine dealers	Window and other dealers
Moving and storage	Pulp & paper manufacturers	Multi-carrier shipping
Metal service centers	Real estate brokers and agents	Supply chain optimization
Attractions	Outdoor equipment dealers	Multi-channel distribution
Leisure centers	Pharmaceutical and biotech manufacturers	Wholesale distribution
Education	Healthcare electronic medical records	Third party logistics warehouse management systems
Radiology & laboratory information systems	Homebuilders	Retail management and distribution
Product licensing	Event management	Association management
Tire distribution	Salons and spas	Public housing authorities
Housing finance agencies	Municipal treasury & debt systems	Real estate brokers and agents
Tour operators	Auto clubs	Home and community care
Long-term care		

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies disclosed in Note 3 of the Company's 2013 annual consolidated financial statements.

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards (IFRS), issued and outstanding as of October 30, 2014, the date the Board of Directors approved the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2013 annual consolidated financial statements.

(b) Basis of measurement

The condensed consolidated interim 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, derivative financial instruments and contingent consideration related to business acquisitions, which are measured at their estimated fair value.

(c) Functional and presentation of currency

The condensed consolidated interim financial statements are presented in U.S. dollars, which is Constellation's functional currency.

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim 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, consistent with those disclosed in the 2013 annual consolidated financial statements. 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 in profit or loss, when, and if, better information is obtained.

3. Significant accounting policies

Except as disclosed below, the significant accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company's 2013 annual consolidated financial statements, and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

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

(a) New standards and interpretations adopted

Amendments to IAS 32, Offsetting Financial Assets and Liabilities

IAS 32 has been amended to include additional presentation requirements for financial assets and liabilities that can be offset in the statement of financial position. The Company adopted the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. The adoption of the amendments did not have a material impact on the financial statements.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The IASB has issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The Company adopted the amendments in its financial statements for the annual period beginning on January 1, 2014. As the amendments impact certain disclosure requirements only, the adoption of the amendments did not have a material impact on the financial statements.

(b) New standards and interpretations not yet adopted

IFRS 9 Financial Instruments

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

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

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

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

The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. We are assessing the impact of this standard on our consolidated financial statements.

Annual Improvements to IFRS

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards. Most of the amendments will apply prospectively for annual periods beginning on or after July 1, 2014. The Company intends to apply these amendments in its financial statements for the annual periods beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years beginning on or after January 1, 2017 and is available for early adoption. The standard contains a single model that applies to contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

4. Business acquisitions

(a) During the nine month period ended September 30, 2014, the Company completed fifteen acquisitions for aggregate cash consideration of $45,542 plus cash holdbacks of $10,629 and contingent consideration with an estimated fair value of $7,729 resulting in total consideration of $63,900. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition period. The obligation for contingent consideration for acquisitions during the period ended September 30, 2014 has been recorded at its estimated fair value at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the weighted probability of the expected contingent consideration to be paid and inclusion of a discount rate as appropriate. As part of these arrangements, which include both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed a maximum of $7,729. Aggregate contingent consideration of $27,533 (December 31, 2013 - $18,452) has been reported in the statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods. Changes made to the estimated fair value of contingent consideration are included in other expenses, net in the condensed consolidated interim statements of income. An expense of $368 and $636 has been recorded for the three and nine months ended September 30, 2014, as a result of such changes (charge and recovery of $11 and $21 for the three and nine months ended September 30, 2013).

There were no acquisitions during the period that were deemed to be individually significant. Of the fifteen acquisitions, the Company acquired 100% of the shares of nine businesses and acquired the net assets of the other six businesses. The cash holdbacks are payable over a two year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

The acquisitions during the nine month period include software companies catering to the following markets; fleet and facility management, local government, health clubs, asset management, para transit operators, metal service centres, tour operators, auto clubs, home and community care, long-term care, public transit operators, salons and spas, and communications 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 condensed consolidated interim financial statements from the date of each acquisition. Eight of the acquisitions have been included in the Public reportable segment and seven have been included in the Private reportable segment.

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

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, synergies with existing businesses of Constellation, and other intangibles that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of $389 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $16,121; however the Company has recorded an allowance of $400 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during 2014 and the last quarter of 2013. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The cash consideration associated with these provisional estimates totals $433,595.

The aggregate impact of acquisition accounting applied in connection with business acquisitions in the nine month period ended September 30, 2014 is as follows:

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 5,188	$ 2,058	$ 7,246
Accounts receivable	11,890	3,831	15,721
Other current assets	4,225	1,325	5,550
Property and equipment	1,034	885	1,919
Other non-current assets	165	-	165
Deferred income taxes	846	-	846
Technology assets	17,078	19,573	36,651
Customer assets	8,597	9,504	18,101
	49,023	37,176	86,199
Liabilities assumed:			
Current liabilities	3,544	3,613	7,157
Deferred revenue	9,325	5,641	14,966
Deferred income taxes	2,200	4,371	6,571
Other non-current liabilities	89	215	304
	15,158	13,840	28,998
Goodwill	1,382	5,317	6,699
Total consideration	**$ 35,247**	**$ 28,653**	**$ 63,900**

(b) The 2014 business acquisitions had no significant impact on revenues or net income for the nine months ended September 30, 2014. There was also no significant impact on the Company's revenues or net income on a pro-forma basis for the nine months ended September 30, 2014.

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

5. Other assets and other liabilities

(a) Other assets

	September 30, 2014	December 31, 2013
Prepaid and other current assets	$ 39,881	$ 40,814
Investment tax credits recoverable	11,928	11,178
Sales tax receivable	3,089	5,777
Other receivables	5,040	7,346
Total current assets	$ 59,938	$ 65,115
Investment tax credits recoverable	$ 12,650	$ 10,900
Non-current trade and other receivables	11,362	11,235
Equity accounted investees (i)	14,571	13,886
Work in progress	428	150
Total non-current assets	$ 39,011	$ 36,171

(i) The Company's share of net income in its investments currently being accounted for as equity investees for the three and nine month period ended September 30, 2014 was $150 and $685 respectively (2013 – income of $300 and $657 respectively).

(b) Other liabilities

	September 30, 2014	December 31, 2013
Contingent consideration	$ 18,785	$ 15,810
Acquired contract liabilities	8,786	8,934
Other non-current liabilities	19,603	21,122
Total non-current liabilities	$ 47,174	$ 45,866

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

6. Intangible assets

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Trademarks	Goodwill	Total
Cost							
Balance at January 1, 2014	$ 791,824	$ 456,718	$ 16,513	$ 2,684	$ 8,673	$ 220,969	$ 1,497,381
Acquisitions through business combinations	35,596	18,603	2	-	-	11,157	65,358
Effect of movements in foreign exchange	(16,528)	(18,284)	(84)	(24)	(682)	(8,618)	(44,220)
Balance at September 30, 2014	$ 810,892	$ 457,037	$ 16,431	$ 2,660	$ 7,991	$ 223,508	$ 1,518,519
Accumulated amortization and impairment losses							
Balance at January 1, 2014	$ 372,492	$ 124,745	$ 15,798	$ 2,684	$ -	$ -	$ 515,719
Amortization for the year	96,343	32,596	712	-	320	-	129,971
Effect of movements in foreign exchange	(4,661)	(1,474)	(79)	(24)	-	-	(6,238)
Balance at September 30, 2014	$ 464,174	$ 155,867	$ 16,431	$ 2,660	$ 320	$ -	$ 639,452
Carrying amounts							
At January 1, 2014	$ 419,332	$ 331,973	$ 715	$ -	$ 8,673	$ 220,969	$ 981,662
At September 30, 2014	$ 346,718	$ 301,170	$ -	$ -	$ 7,671	$ 223,508	$ 879,067

7. Bank indebtedness

On March 13, 2012, the Company entered into a new revolving credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300,000 (December 31, 2013- $300,000). The revolving credit facility bears a variable interest rate and is due in full on February 29, 2016 with no fixed repayments required over the term to maturity. Interest rates are calculated at prime or LIBOR plus interest rate spreads based on a leverage table. The credit facility is collateralized by substantially all of the Company's assets including the assets of the majority of the Company's material subsidiaries. The credit facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of the Company's subsidiaries until 2016. As at September 30, 2014, $56,800 (December 31, 2013 – $149,200) had been drawn from this credit facility, and letters of credit totaling $14,019 (December 31, 2013 - $5,000) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the line-of-credit were included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. Amortized costs recognized in the three and nine month period ended September 30, 2014 relating to this line-of-credit amounted to $129 and $387 respectively (September 30, 2013 - $129 and $387 respectively). As at September 30, 2014, the carrying amount of such costs totaling $738 (December 31, 2013 - $1,125) has been classified as part of bank indebtedness in the condensed consolidated interim statement of financial position.

On December 6, 2013, the Company amended the credit facility to facilitate the acquisition of Total Specific Solutions ("TSS"). A new one year $350,000 term facility was added solely for the purposes of funding the TSS acquisition and related expenses (the "TSS Acquisition Facility"). The TSS Acquisition Facility is non-amortizing, bears interest at a rate calculated at prime or LIBOR plus interest rate spreads based on a leverage table consistent with the spreads applicable to Constellation's revolving credit facility, and matures on December 31, 2014. The TSS Acquisition Facility is subject to the existing security requirements of Constellation revolving credit facility, which includes security covering the majority of Constellation's and its subsidiaries' (other than CNH and its subsidiaries) present and future real and personal property, assets and undertakings, and is subject to various debt covenants. As at September 30, 2014, approximately $144,976 remains outstanding from the TSS Acquisition Facility. Subsequent to period-end, the Company issued debentures and the proceeds from this issuance were used by the Company to pay down $57,763 of the TSS Acquisition Facility (note 17).

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

On June 24, 2014 Constellation Software Netherlands Holding Cooperatief U.A. ("CNH"), a subsidiary of Constellation and the indirect owner of 100% of TSS, entered into a €150,000 term and €10,000 multicurrency revolving credit facility (the "CNH Facility") with a number of European and North American financial institutions. The CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The CNH Facility is collateralized by substantially all of the assets owned by CNH and its subsidiaries which includes substantially all of the assets of TSS and its subsidiaries. The CNH Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. On June 24, 2014, €130,000 was drawn on the term component of the CNH Facility and used to repay a portion of the TSS Acquisition Facility. €30,000 must be repaid in instalments over the next six years, and €100,000 is non-amortizing and due in seven years. The remaining €20,000 term component of the CNH Facility is currently available and if drawn must be repaid in five equal instalments starting on June 24, 2018. As at September 30, 2014 no amounts had been drawn on the €10,000 multicurrency revolving component of the CNH Facility. The revolving component of the CNH Facility is available for acquisitions, working capital needs, and other general corporate purposes until June 24, 2020. Transaction costs associated with the CNH Facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. Amortized costs recognized in the three and nine month period ended September 30, 2014 relating to this facility amounted to $278. As at September 30, 2014, the carrying amount of such costs relating to this facility totalling approximately $6,402 (€5,039) has been classified as part of bank indebtedness in the condensed consolidated interim statement of financial position.

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

On June 24, 2014, the Company further amended the Constellation credit facility to accommodate the CNH financing. The $350,000 TSS Acquisition Facility was reduced to a $150,000 term facility to reflect the payment received from the proceeds of the CNH Facility.

8. Provisions

At January 1, 2014	$	11,959
Reversal		(2,170)
Provisions recorded during the period		10,101
Provisions used during the period		(10,216)
Effect of movements in foreign exchange and other		(472)
At September 30, 2014	$	9,202

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

The provisions balance is comprised of various individual provisions for onerous contracts and other estimated liabilities of the Company of uncertain timing or amount.

9. Income taxes

Income tax expense is recognized on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. The Company's consolidated effective tax rate in respect of continuing operations for the three and nine months ended September 30, 2014 was 33% and 35% respectively (three and nine months ended September 30, 2013 was 11% and 21% respectively).

10. Capital and other components of equity

	Common Shares	
	Number	Amount
December 31, 2013	21,191,530	$ 99,283
September 30, 2014	21,191,530	$ 99,283

Dividends and other distributions to shareholders

During the nine months ended September 30, 2014 the Board of Directors approved and the Company declared dividends of $3.00 per common share. The dividend declared in the quarter ended September 30, 2014 representing $21,192 was paid and settled on October 3, 2014. The dividend declared in the quarter ended September 30, 2013 representing $21,192 was paid and settled on October 3, 2013.

A dividend of $1.00 per share representing $21,192 was accrued as at December 31, 2013 and subsequently paid and settled on January 3, 2014.

On August 8, 2014, the Company completed a rights offering pursuant to which existing holders of common shares of the Company were entitled to purchase up to C$100,000 aggregate principal amount of unsecured subordinated floating rate debentures of the Company as of the close of business on August 21, 2014 (see note 17 for further details on the terms of the debentures subsequently issued on October 1, 2014). The Company estimated the fair value of these rights to be $4,759 and recorded a distribution to shareholders for this amount.

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

11. Finance and other income and finance costs

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Gain on sale of available-for-sale financial assets transferred from other comprehensive income	$ -	$ -	$ (574)	$ -
Gain on sale of non-current assets	(230)	-	(230)	(369)
Other finance income	(623)	(375)	(1,903)	(506)
Finance income	$ (853)	$ (375)	$ (2,707)	$ (875)
Interest expense on bank indebtedness	$ 3,192	$ 920	$ 8,131	$ 2,386
Amortization of debt related transaction costs	407	129	1,009	387
Other finance costs	460	656	1,761	2,199
Finance costs	$ 4,059	$ 1,705	$ 10,901	$ 4,972

The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. During the period, the Company did not purchase any additional forward foreign exchange contracts. The Company had one forward contract outstanding as at December 31, 2013 with a value of $19,343 and the contract was settled on January 3, 2014.

During the period, the Company entered into a floating-to-fixed interest rate swap to manage its cash-flow interest rate risk associated with the CNH Facility. The notional principal amount of the outstanding floating to fixed interest rate swap contract at September 30, 2014 was €130,000. The fair value of the interest rate swap contract at September 30, 2014 was nominal.

12. Earnings per share

Basic and diluted earnings per share

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Numerator:				
Net income	$ 31,925	$ 22,247	$ 63,779	$ 50,678
Denominator:				
Basic and diluted shares outstanding	21,192	21,192	21,192	21,192
Earnings per share				
Basic and diluted	$ 1.51	$ 1.05	$ 3.01	$ 2.39

13. Financial instruments

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 transaction costs associated with its current line of credit. As a result at September 30, 2014, the fair value of the line of credit is $56,800 and the carrying value is $56,062. (December 31, 2013: fair value of $149,200, carrying value of $148,075). The fair value and the carrying value of the TSS Acquisition Facility is $144,976 (December 31, 2013: fair value of $329,438 and carrying value of $329,095). The fair value of the CNH Facility is $164,918 and the carrying value is $158,516.

The fair values of available-for-sale financial assets, being equity investments, at the reporting date are determined by the quoted market values for each investment.

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.

Financial assets and financial liabilities measured at fair value as at September 30, 2014 and December 31, 2013 in the consolidated financial statements are summarized below. The Company has no additional financial liabilities measured at fair value after initial recognition other than those recognized in connection with business combinations.

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

	September 30, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Equity securities	$ -	$ -	$ -	$ -	$ 780	$ -	$ -	$ 780
	-	**-**	**-**	**-**	**780**	**-**	**-**	**780**
Liabilities								
Contingent consideration	$ -	$ -	$ 27,533	$ 27,533	$ -	$ -	$ 18,452	$ 18,452
Interest rate swap contract	-	-	-	-	-	-	-	-
Foreign forward exchange contract	-	-	-	-	-	179	-	179
	-	**-**	**27,533**	**27,533**	**-**	**179**	**18,452**	**18,631**

There were no transfers of fair value measurement between level 1, 2 and 3 of the fair value hierarchy in the periods ended September 30, 2014 and 2013.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

Balance at January 1, 2014	18,452
Increase from business acquisitions	9,247
Cash payments	(1,179)
Charges through profit or loss	964
Foreign exchange	49
Balance at September 30, 2014	27,533

Estimates of the fair value of contingent consideration is performed by the Company on a quarterly basis. Key unobservable inputs include revenue growth rates and the discount rates applied (8% to 11%). The estimated fair value increases as the annual growth rate increases and as the discount rate decreases and vice versa.

14. Operating segments

Segment information is presented in respect of the Company's business. Except as described below, the accounting policies of the segments are the same as those described in the significant accounting policies section of these condensed consolidated interim financial statements.

Reportable segments

The Company has six operating segments, referred to as Operating Groups by the Company, being Volaris, Harris, Total Specific Solutions, Jonas, Homebuilder, and Vela. The operating segments are 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.

During fiscal 2013, the Company had seven operating segments. During 2014, two of the Company's operating groups (Friedman and Emphasys) have been combined to form a new operating segment, Vela. During 2014, the operating results of Friedman and Emphasys are reviewed by the Company's President and Chairman of the Board of Directors as a single operating group to make decisions about resources to be allocated to that operating group and assessing its performance. Vela has been included in the Private Sector. Comparatives have been restated to reflect this change.

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

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

Intercompany expenses (income) represent Constellation head office management fees and intercompany interest charged on related borrowings to the reportable segments.

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

Three months ended September 30, 2014	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 294,843	$ 123,964	$ -	$ 418,807
Expenses				
Staff	151,376	61,819	-	213,195
Hardware	15,037	3,206	-	18,243
Third party licenses, maintenance and professional services	23,299	15,680	-	38,979
Occupancy	7,075	3,162	-	10,237
Travel	8,897	3,366	-	12,263
Telecommunications	2,529	1,492	-	4,021
Supplies	6,362	1,898	-	8,260
Professional fees	4,564	1,729	-	6,293
Other, net	1,257	1,794	-	3,051
Depreciation	3,109	931	14	4,054
Amortization of intangible assets	28,798	14,386	-	43,184
	252,303	109,463	14	361,780
Foreign exchange (gain) loss	1,798	(251)	4,812	6,359
Equity in net (income) loss of equity investees	-	-	(150)	(150)
Finance income	(560)	(292)	(1)	(853)
Finance costs	2,412	309	1,338	4,059
Inter-company expenses (income)	6,733	3,904	(10,637)	-
	10,383	3,670	(4,638)	9,415
Profit before income tax	32,157	10,831	4,624	47,612
Current income tax expense (recovery)	16,765	6,084	(1,397)	21,452
Deferred income tax expense (recovery)	(6,469)	(1,761)	2,465	(5,765)
Income tax expense (recovery)	10,296	4,323	1,068	15,687
Net income	21,861	6,508	3,556	31,925

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

Nine months ended September 30, 2014	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 866,312	$ 363,275	$ -	$ 1,229,587
Expenses				
Staff	473,785	189,508	-	663,293
Hardware	47,348	9,389	-	56,737
Third party licenses, maintenance and professional services	66,062	46,432	-	112,494
Occupancy	20,928	9,473	-	30,401
Travel	26,479	9,734	-	36,213
Telecommunications	7,510	4,608	-	12,118
Supplies	20,777	5,364	-	26,141
Professional fees	11,930	4,613	-	16,543
Other, net	11,335	7,920	-	19,255
Depreciation	9,663	2,531	41	12,235
Amortization of intangible assets	87,882	42,089	-	129,971
	783,699	331,661	41	1,115,401
Foreign exchange (gain) loss	2,451	(425)	6,682	8,708
Equity in net (income) loss of equity investees	-	-	(685)	(685)
Finance income	(670)	(1,319)	(718)	(2,707)
Finance costs	2,866	1,144	6,891	10,901
Intercompany expenses (income)	19,881	11,095	(30,976)	-
	24,528	10,495	(18,806)	16,217
Profit before income tax	58,085	21,119	18,765	97,969
Current income tax expense (recovery)	31,521	12,916	(4,191)	40,246
Deferred income tax expense (recovery)	(7,502)	(4,031)	5,477	(6,056)
Income tax expense (recovery)	24,019	8,885	1,286	34,190
Net income	34,066	12,234	17,479	63,779

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

Three months ended September 30, 2013	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 212,155	$ 103,722	$ -	$ 315,877
Expenses				
Staff	113,479	54,014	-	167,493
Hardware	18,548	2,252	-	20,800
Third party licenses, maintenance and professional services	13,719	13,860	-	27,579
Occupancy	5,251	2,644	-	7,895
Travel	8,668	2,486	-	11,154
Telecommunications	2,571	1,260	-	3,831
Supplies	4,454	1,328	-	5,782
Professional fees	2,680	1,319	-	3,999
Other, net	2,038	4,601	-	6,639
Depreciation	1,873	742	9	2,624
Amortization of intangible assets	21,640	12,133	-	33,773
	194,921	96,639	9	291,569
Foreign exchange (gain) loss	322	(712)	(1,246)	(1,636)
Equity in net (income) loss of equity investees	-	-	(300)	(300)
Finance income	(414)	40	(1)	(375)
Finance costs	340	279	1,086	1,705
Inter-company expenses (income)	4,699	3,787	(8,486)	-
	4,947	3,394	(8,947)	(606)
Profit before income tax	12,287	3,689	8,938	24,914
Current income tax expense (recovery)	3,795	2,017	(1,249)	4,563
Deferred income tax expense (recovery)	(157)	(1,739)	-	(1,896)
Income tax expense (recovery)	3,638	278	(1,249)	2,667
Net income	8,649	3,411	10,187	22,247

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

Nine months ended September 30, 2013	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 578,743	$ 291,754	$ -	$ 870,497
Expenses				
Staff	314,178	159,662	-	473,840
Hardware	46,404	6,653	-	53,057
Third party licenses, maintenance and professional services	37,160	34,688	-	71,848
Occupancy	14,298	6,871	-	21,169
Travel	24,569	7,216	-	31,785
Telecommunications	6,615	3,643	-	10,258
Supplies	11,798	3,607	-	15,405
Professional fees	7,942	3,278	-	11,220
Other, net	7,478	9,430	-	16,908
Depreciation	5,072	2,159	27	7,258
Amortization of intangible assets	56,695	33,339	-	90,034
	532,209	270,546	27	802,782
Foreign exchange (gain) loss	(933)	297	1,136	500
Equity in net (income) loss of equity investees	-	-	(657)	(657)
Finance income	(440)	(389)	(46)	(875)
Finance costs	826	650	3,496	4,972
Intercompany expenses (income)	13,270	9,771	(23,041)	-
	12,723	10,329	(19,112)	3,940
Profit before income tax	33,811	10,879	19,085	63,775
Current income tax expense (recovery)	10,839	8,413	(3,022)	16,230
Deferred income tax expense (recovery)	253	(3,386)	-	(3,133)
Income tax expense (recovery)	11,092	5,027	(3,022)	13,097
Net income	22,719	5,852	22,107	50,678

15. 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") including certain long-term contracts that contained contingent liabilities that the Company believed were unlikely to exceed $16,000 in the aggregate. The contingent liabilities related 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 represented the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition. Beginning in February 2011, MAXIMUS Inc. ("Maximus") and a subsidiary of the Company, as a result of receiving a letter from a customer, initiated the dispute resolution process under the customer's contract. The customer alleged that the subsidiary of the Company and Maximus failed to provide the services and products required to be delivered under the contract. In December 2012, the subsidiary of the Company obtained a favorable arbitration ruling in the amount of $10,000 which was subsequently reduced in July 2013 to $6,000 by a court judgment. The July 2013 court ruling also resolved an additional claim filed by the customer alleging no contract existed between the parties. In September 2013 the customer initiated the appeals process in relation to the July 2013 court ruling. In September 2014 the customer and the subsidiary of the Company reached a settlement resulting in the customer making a payment in the amount of $3,800 and issuing a full release from further litigation on the matter. The proceeds of $3,800 has been recorded as Professional services revenue in the condensed consolidated interim statements of income. The remaining contingent liabilities related to the acquired MAJES contracts is $7,000.

In July 2012, a subsidiary of Constellation received a notice of reassessment for the 2004 taxation year from the Canadian tax authorities ("CRA") which increased taxable income of the subsidiary by approximately $20,000 relating to a gain on the sale of property between entities under common control. As a result of the notice of reassessment, the CRA has determined that the subsidiary owes approximately $6,000 in federal tax and interest and approximately $5,000 in provincial tax and interest. In order to appeal the reassessment, the subsidiary paid $8,000 in September 2012 representing 50% of the amount owing from the federal reassessment and 100% of the amount owing from the provincial reassessment. At this stage, the Company believes the proposed reassessment is without merit and is challenging the reassessment. In February 2013 the Company filed an appeal with the Tax Court of Canada. The Company believes that it has adequately provided for the probable outcome in respect of this matter and as such no additional provision has been recorded in these financial statements during the period. There is no assurance, however, that the Company's appeal will be successful and, if unsuccessful, the Company's future financial results and tax expense could be adversely affected. The $8,000 payment made in September 2012 has been recorded in other non-current assets, representative of the deposit on account.

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

16. Changes in non-cash operating working capital

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Decrease (increase) in accounts receivable	$ 10,513	$ 6,984	$ 15,741	$ (1,720)
Decrease (increase) in work in progress	(341)	(5,332)	(6,413)	(7,185)
Decrease (increase) in other current assets	(190)	1,440	554	(6,315)
Decrease (increase) in inventory	(3,784)	(1,502)	(7,304)	(1,516)
Decrease (increase) in non-current assets	(565)	(355)	(2,465)	(3,699)
Increase (decrease) in other non-current liabilities	3,077	1,207	(1,866)	4
Increase (decrease) increase in accounts payable and accrued liabilities, excluding holdbacks from acquisitions	8,807	22,968	(27,828)	3,746
Increase (decrease) in deferred revenue	(19,075)	8,747	39,736	12,428
Increase (decrease) in provisions	253	(1,840)	(2,370)	(1,675)
	$ (1,305)	$ 32,317	$ 7,785	$ (5,932)

17. Subsequent events

On October 1, 2014, the Company issued debentures (the “Debentures”) with a principal value of C$67,990 for total proceeds of C$64,591. The proceeds were used by the Company to pay down $57,763 of the TSS Acquisition Facility. The Debentures have a maturity date of March 31, 2040 (the “Maturity Date”). From and including the date of issue to but excluding March 31, 2015, the Debentures will bear interest at a rate of 7.4% per annum. From and including March 31, 2015 to but excluding the Maturity Date, the interest rate applicable to the debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the annual average percentage change in the All-items Consumer Price Index during the 12 month period ending on December 31 in the prior year (which amount may be positive or negative) plus 6.5%. The Debentures will be redeemable in certain circumstances at the option of the Company or the holder.

On October 30, 2014 the Company declared a $1.00 per share dividend that is payable on January 5, 2015 to all common shareholders of record at close of business on December 17, 2014.

Subsequent to September 30, 2014, the Company acquired control of the shares of two entities for aggregate cash consideration of $11,877 on closing plus cash holdbacks of $2,452 resulting in total consideration of $14,329. The business acquisitions include companies catering to the Food services and Textiles & apparel markets, and are all software companies similar to the existing business of the Company. Both of the businesses will be included in the Company’s Private Sector segment. Due to the timing of these acquisitions completed subsequent to September 30, 2014, the Company is unable to provide additional disclosure as the accounting for these business combinations is incomplete.